

Mavrodi's millions pay dividends with voters

By John Lloyd in Moscow

Mr Sergei Mavrodi, the multimillionaire charged with tax evasion whose MMM pyramid selling company crashed in the summer, has been elected to the Russian parliament, according to early figures last night. He was backed by Mr Vladimir Zhirinovskiy's ultra-nationalist Liberal Democrats (LDP).

It was the first important by-election for a state duma (lower house) seat since last December's poll produced a surge of support for the LDP. The result was the more

remarkable since Mr Mavrodi did not make a single appearance in his Mytishchi constituency, an industrial suburb of Moscow. However, members of his staff had worked the area for weeks before, promising that their boss would spend \$10m of his own money improving it.

Mr Mavrodi, released from jail three weeks ago in accordance with the law on elections granting immunity to candidates and deputies, had told the electors on the eve of the poll that "your only solution is to elect me because then I will be immune from further arrest. I will

not have to return to prison".

However, Mr Gennady Ponomarev, the Moscow prosecutor, said last night that "the legal case against Mr Mavrodi would not be terminated automatically". Since the case - for tax evasion by his Invest Consulting firm - had begun before he stood as a deputy, it could continue without an appeal to the Duma to remove his immunity.

According to Mr Sergei Taranov, Mr Mavrodi's spokesman, the new deputy would bring together a group of members of parliament dedicated to "defend the interests of

the shareholders of Russia and defend them from the uncontrollable arbitrariness of government bureaucrats".

The campaign had been remarkable both for the absence of Mr Mavrodi and the presence at the election rallies of black-clad, swastika-wearing paramilitaries who turned out to greet the candidate of the Russian National Unity (fascist) party, Mr Alexander Fyodorov, with Nazi salutes. However, neither Mr Fyodorov nor Mr Andrei Sidelnikov, representative of the right-wing Derzhava movement led by

former Vice-President Alexander Rutskoi, appeared to have scored well.

The early figures showed Mr Mavrodi capturing around 25 per cent of the vote, with Mr Alexander Zharov, an official of the local administration, taking around 15 per cent, and Mr Konstantin Borovoi, a prominent financier and leader of the Economic Freedom party, around 14 per cent. Mr Borovoi had been a particular target of Mr Fyodorov's supporters, who mocked him with anti-semitic insults at rallies.

Though Mr Mavrodi has said he

does not intend to ally himself to any faction in the Duma, his campaign was partly run by the LDP. In return, the party can expect to gain access not just to his fortune but to the famed skills of his company's television production studio. The latter made the series of advertisements promoting MMM which persuaded hundreds of thousands of Russians to buy its shares as they climbed dizzyly earlier this year.

Turnout at the election was around 30 per cent - comfortably above the 25 per cent threshold to make the vote a valid one.

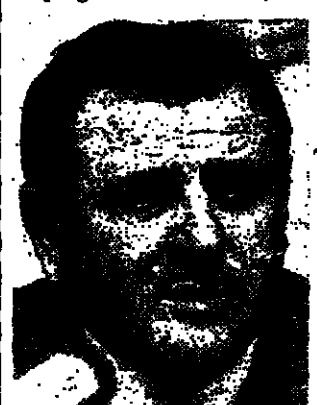
Meciar agrees to form a cabinet

The former Slovak prime minister, Mr Vladimir Meciar, formally agreed yesterday to try to form a coalition government, a full month after the electoral victory of his Movement for a Democratic Slovakia (HZDS). Reuter reports from Bratislava.

Mr Meciar made the announcement in a letter to President Michal Kovac, who played a key role in his downfall in a parliamentary no-confidence vote last March.

The letter is the latest twist in Slovakia's personality-dominated politics since the elections of September 30 and October 1, when the HZDS took 35 per cent of the vote and 61 seats in the 150-member parliament.

Shortly after the vote, Mr Kovac appointed the HZDS to lead coalition talks, but pointedly ignored its leader, Mr



Vladimir Meciar: choice as PM despite president's hostility

Meciar, whose suitability as prime minister he questioned during campaigning. Mr Meciar rarely appeared as talks dragged on with little success, preferring to send representatives instead. At one point a senior HZDS member said Mr Kovac should resign for the sake of Slovak political stability.

However, last Friday the president finally requested that Mr Meciar provide him with a list of new cabinet members, although he set no deadline. Mr Kovac's aides said they had received the letter yesterday by express delivery, but that no HZDS representatives had yet visited the president.

So far the HZDS has clinched support in forming a coalition only from its traditional ally, the extreme nationalist Slovak National party, which won nine seats.

Mr Meciar's chances of forming a stable coalition depend largely on whether he can strike a pact with the four-party grouping, Common Choice, led by reformed communists of Party of the Democratic Left (SDĽ).

Talks between the two have so far been inconclusive, leaving Mr Meciar in limbo and forecasting tough political times ahead.

"To get a majority in parliament we need six more votes... to seize the challenge to solve the crisis situation coming in 1995," Mr Meciar said in an interview published yesterday in the daily newspaper, *Republika*.

Zeiss 'marriage' a unification story ending in tears

The marriage seemed a good idea at the time, says Mr Jürgen Dömel, head of the workers' council at Carl Zeiss Jena, the renowned eastern German manufacturer of microscopes, telescopes and optical instruments.

"We had the name. We had the freedom to enter the western markets. We were confident."

There is little evidence of that confidence in Jena today as the management in Carl Zeiss Oberkochen in the nearby western German state of Baden-Württemberg prepares to cut 2,400 jobs from its 13,000 strong pay-roll in its west German operations and 600 of the 2,050 workforce in Jena, an old university town set deep in the eastern state of Thuringia.

The marriage between the eastern and western parts of Carl Zeiss was arranged by the Treuhand privatisation agency in late 1991. Hailed as an exemplary solution for saving Carl Zeiss Jena, it sought to combine both enterprises under one roof after 45 years of enforced separation.

Under the plan, Oberkochen

Judy Dempsey chronicles the troubled amalgamation of the east and west arms of the German optical instruments manufacturer

too 51 per cent of Carl Zeiss Jena, while the remaining 49 per cent was placed under Jenoptik, also in Jena. Jenoptik, which specialises in high-tech laser and optical instruments and is managed by Mr Lothar Späth, the former prime minister of Baden-Württemberg, is 100 per cent owned by the government of Thuringia.

In addition, to save and modernise the entire Carl Zeiss complex, which before unification employed more than 27,000 workers, the Treuhand allocated DM3.6bn (£1.47bn) of taxpayers' money to Jenoptik with the aim of guaranteeing 10,000 jobs and finding new markets. As for Carl Zeiss Jena, by the end of next year the Treuhand will have pumped in DM557m and kept 2,050 jobs alive.

But, laments Mr Elk Littow, manager of Carl Zeiss Jena, "We invested about DM117m on new buildings and production lines and the remainder

has been spent on picking up losses."

Despite introducing new production lines, Carl Zeiss Jena has been making annual losses of about DM140m on a turnover of DM206m, while productivity is still only 40 per cent of

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export markets for the group

products before its top heavy

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EUROPEAN NEWS DIGEST

ILO warning on Russian jobless

More than a third of Russia's industrial workforce is in "hidden unemployment" and many others are not being paid or have had their wages cut, according to a report published yesterday by the International Labour Organisation. Moreover, open unemployment in Russia - based on standard international definitions - is at least five times as high as the official figures, based on registrations of under 2 per cent, the report said.

Enterprises have cut jobs for the fourth year running from mid-1993 to mid-1994, by an average of more than 8 per cent. However, 35 per cent of those still "in work" had no job to do. These included those on involuntary short-time working and those - a fifth of all industrial workers - on long-term "administrative leave" receiving little or no wages. The existence of hidden unemployment was a rational response by managers who would otherwise have to pay wages or severance pay, said the report's author, Mr Guy Standing. Even so, nearly half the enterprises surveyed by the ILO were in wage arrears and more than 60 per cent had not paid wages in full. Mr Standing said official figures showing a rise in average real wages referred to contractual wages and not those actually paid. "Across the board, many workers are taking home much less, if they are taking home anything," he said. Mr Standing called for enforceable labour contracts and a more comprehensive and generous social protection system to aid the process of enterprise restructuring and to cushion hardship. *Frances Willems, Geneva*

Yeltsin backs bank candidate

Mr Boris Yeltsin has proposed that Mrs Tatyana Paramonova, presently acting governor of the Russian Central Bank, be confirmed in her post. He has sent his recommendation on her candidacy to the state duma for debate and ratification in the latter half of this month. Mrs Paramonova, the youngest member of the bank's senior management and the sole woman member, was named acting governor after the resignation of Mr Viktor Gerashchenko from the governorship last month following the dramatic fall in the rouble. An investigatory commission, specially appointed by the government is due to report tomorrow on what caused the plunge in the Russian currency. *John Lloyd, Moscow*

Ukraine sends reform signals

Ukrainian President Leonid Kuchma yesterday consolidated his grip on economic policy by naming a radical reformer, Mr Viktor Pynzenek, as first deputy prime minister for economic affairs. The appointment of Mr Pynzenek, who quit the same post in frustration last year when Mr Kuchma was prime minister, undercuts the conservative prime minister, Mr Vitaly Masol. Mr Masol, who was strongly criticised by Mr Kuchma yesterday for trying to obstruct last week's unification of the currency exchange rates, had said any appointment to that economics portfolio would weaken his own position. Mr Kuchma promised further austerity measures soon and progress toward a new constitution. He commented: "I'm ready to compromise on all issues except economic reform and executive power." He also urged parliament to ratify the Nuclear Non-Proliferation Treaty because, he said, economic help from both Russia and the west depended on it. *Matthew Kaminski, Kiev*

Polish minister thinks again

Poland's foreign minister, Mr Andrzej Olechowski, who resigned last week after being placed on a list of top government officials who also held directorships, has suspended his resignation while the courts clarify if he was breaking the law. Asked in a newspaper interview what he would do if the courts decided against him or the issue was not clarified by the end of the year, he replied: "I will leave." The list of 68 senior officials was published last week by Mr Wlodzimierz Cimoszewicz, justice minister, who argued that they contravened a 1981 law banning government officials from accepting pay from other sources. Mr Olechowski, who was nominated by President Lech Walesa, has also denied that he will run against him in next year's presidential election. *Christopher Robinson, Warsaw*

ECONOMIC WATCH

Energy prices hit Oslo's surplus

Norway's current account surplus for the first eight months of 1994 fell to Nkr18.858bn (€1.8bn) from Nkr19.757bn in the same 1993 period, according to the country's national statistics agency. The 17 per cent fall reflected a drop in the value of oil and gas exports, to Nkr68.6bn from Nkr70.1bn, as well as lower net exports of ships and oil platforms. Imports have also risen strongly on the back of the recovery in the Norwegian economy, which will grow by around 4 per cent this year. In August, the current account swung to a deficit of Nkr757m, compared with a July surplus of Nkr1.858bn. The turnaround was due to offfield maintenance work which pushed down the value of Norway's August oil exports to Nkr6.6bn from Nkr8.5bn in the same 1993 period. *Christopher Brown-Thames, Stockholm*

Wholesale sales in Germany in September dropped a real 1 per cent year-on-year and fell a calendar and seasonally-adjusted real 1 per cent from August.

Greek industrial production rose 4.3 per cent year-on-year in August after a 7.1 per cent rise in July.

Slovakia's industrial output in August rose by 5.5 per cent compared with the same period last year. Industrial production rose also by 5.5 per cent in August against July.

Commissioner claims some credit for E Europe's advance towards E entry
Brittan finds solace in past achievement

By Emma Tucker in Brussels

It was with a certain savagery that Sir Leon Brittan, the UK's senior European commissioner, yesterday described the EU's progress to date in embracing former communist countries of east and central Europe.

"We have taken a quantum leap towards bringing the countries of east and central Europe into the European Union and it is for me personally a cause of great satisfaction and pride that we have been able to do so," he said.

Two days after learning that the prize task of negotiating

Europe's enlargement to the east had been lopped off his Brussels portfolio, the smarting commissioner took the opportunity of an EU foreign ministers' meeting in Luxembourg - attended by ministers from six east European countries - to sum up the great strides taken since Berlin's wall was knocked down.

No one was left in any doubt whom to thank: "The reason why we were able to have a meeting of substance today was because of the work that has already taken place... a great deal has been done and the countries are now set formally on the path towards

membership of the EU."

But in spite of his evident irritation and disappointment, Sir Leon held fire and did not announce a resignation. Evidently friends, supporters and most especially the British government - horrified at the prospect of further domestic turmoil over Europe - had been to work on him.

As Mr Douglas Hurd, UK foreign secretary, put it: "I am extremely glad that he has decided to stay on in the Commission."

Sir Leon himself was putting on a brave face: "After the conclusion of the Uruguay Round of the Gatt negotiation, I

turned myself increasingly to the affairs of eastern and central Europe of the former Soviet Union, so I was naturally disappointed," he said.

"But I have received messages from governments asking me to stay on," he said. "The portfolio I have been offered does represent an important and major challenge... I am under no illusion about the magnitude of that task."

Mr Hurd and Sir Leon himself were not the only people praising the former conservative MP's two-year efforts as commissioner responsible for central and eastern Europe. Mr

Klaus Kinkel, German foreign minister, said: "I have thanked Sir Leon for the excellent work done in producing a strategy paper which has in part prepared the way for accession."

There were diplomatic words, too, from the Polish foreign minister, Mr Andrzej Olechowski. "We were very pleased with the work done by Sir Leon. We think he was, and continues to be, convinced about the future membership of our country and has done a great deal of work and made much contribution," he said.

But as he tactfully put it, the east Europeans were not losing a friend as a result of Mr Jac-

ques Santer's division of labour, they were merely gaining a new one. "We have no reason to think the new commissioner will not be as enthusiastic and able as the other."

Sir Leon is not a stranger to controversial, news-shattering resignations following his role in the Westland helicopter dispute of the Thatcher government. Yesterday he took unkindly to suggestions that he should have acted more decisively this time round. "Maybe you have always found it easy to make big personal decisions," he snapped at one journalist. "Not everybody is in that happy situation."

Milosevic's wife brings their enemies to book

By Laura Silber in Belgrade



EUROPEAN

PROFILE any novice, Mrs Mira Markovic, better known as the wife of President Slobodan Milosevic of Serbia.

The award marks the rise of Mrs Markovic, who has become increasingly prominent in the Serbian political scene over the past few months.

Her hand can be detected in Mr Milosevic's current moves towards peace with Croatia. She is behind Serbia's embargo against the Bosnian Serbs.

Mrs Markovic had made public her aversion towards Mr Radovan Karadzic, the Bosnian Serb leader, a year before the Serbian president turned his back on his protégé.

The first lady of Serbia makes her views known by publishing her diaries in Duga, the most popular Serbian magazine. Her book, "Night and Day", is a compilation of these musings which have heralded the demise of many politicians - from Mr Karadzic to Mr Vojislav Seselj, the ultra-nationalist MP, who last week was sentenced to three months in prison.

While her diaries provide a stage for settling political scores with her husband's rivals - often erstwhile allies - they also ponder the beauty of crickets, summertime, and ethnic tolerance.

Her book, said one critic, "is polyphonic, a combination of scientific analysis and poetic sensibility".

After his Machiavellian turn-around three months ago, Mr Milosevic is poised to purge nationalists from the ranks of Serbia's ruling Socialists (SPS) - or at least get rid of those who had made the mistake of speaking too loudly in favour of the war in Bosnia. This was portended by Mrs Milosevic, who attacked Mr Mihajlo Markovic, the main Socialist ideologue.

"Mr Markovic betrayed her revolution by being too soft on the Serbs on the other side of the Drina," the river which marks Serbia's frontier with Bosnia, wrote the Belgrade journalist Mr Milivoje Glisic.

In last month's column, Mrs Markovic warned Mr Markovic, her former professor, that she "has many comrades in the SPS, maybe many more

than Mihajlo Markovic... The only thing that my professor may be right about is that he should not wage polemics with his former students and he especially should not get angry if they are better than him."

With her husband abandoning nationalism, Mrs Markovic has founded Jul (Yugoslav United Left), a shadowy organisation including her university students and retired generals. Indeed, writes Mr Stojan Carovic, the respected Belgrade journalist, "the literary jury this time perhaps did not want to reward only the skill or the good taste of Mrs Markovic in picking her spouse, but also her efforts in rallying the left".

Mr Milosevic's political shift has effectively marginalised

the tiny liberal opposition and radicalised the rest even more. While Mrs Markovic says she supported peace all along, her husband was blamed by the west for being the chief instigator of the war.

His recent moves have won kudos from international peace envoys and the lifting of some UN sanctions, which give him a freer hand in Serbia.

While Mr Glisic wryly expressed relief that the Belgrade book fair was free of political influence, the award signalled the extent to which the Milosevics rule Serbia.

"If everything gets worse, Mrs Markovic will become all the greater writer," said Mr Carovic. "In the end, perhaps, the only writer whose books are printed."

See Feature



Mrs Mira Markovic (right) and her husband, Slobodan Milosevic, voting in the 1992 presidential election

In 1982 Frank Myers was redundant and flat broke. 12 years later he's

bounced back as managing director of his own company which exports 'Flatcones' around the world.

There's a lot of lolly in cones. The turnover is £3 million per annum and rising.

So how did he do it? Well, that "Eureka" moment came in 1985 when Frank turned to his wife and said: "Why do cones have to be round?" From then on he was on the road to success, even if it was to be a long one.

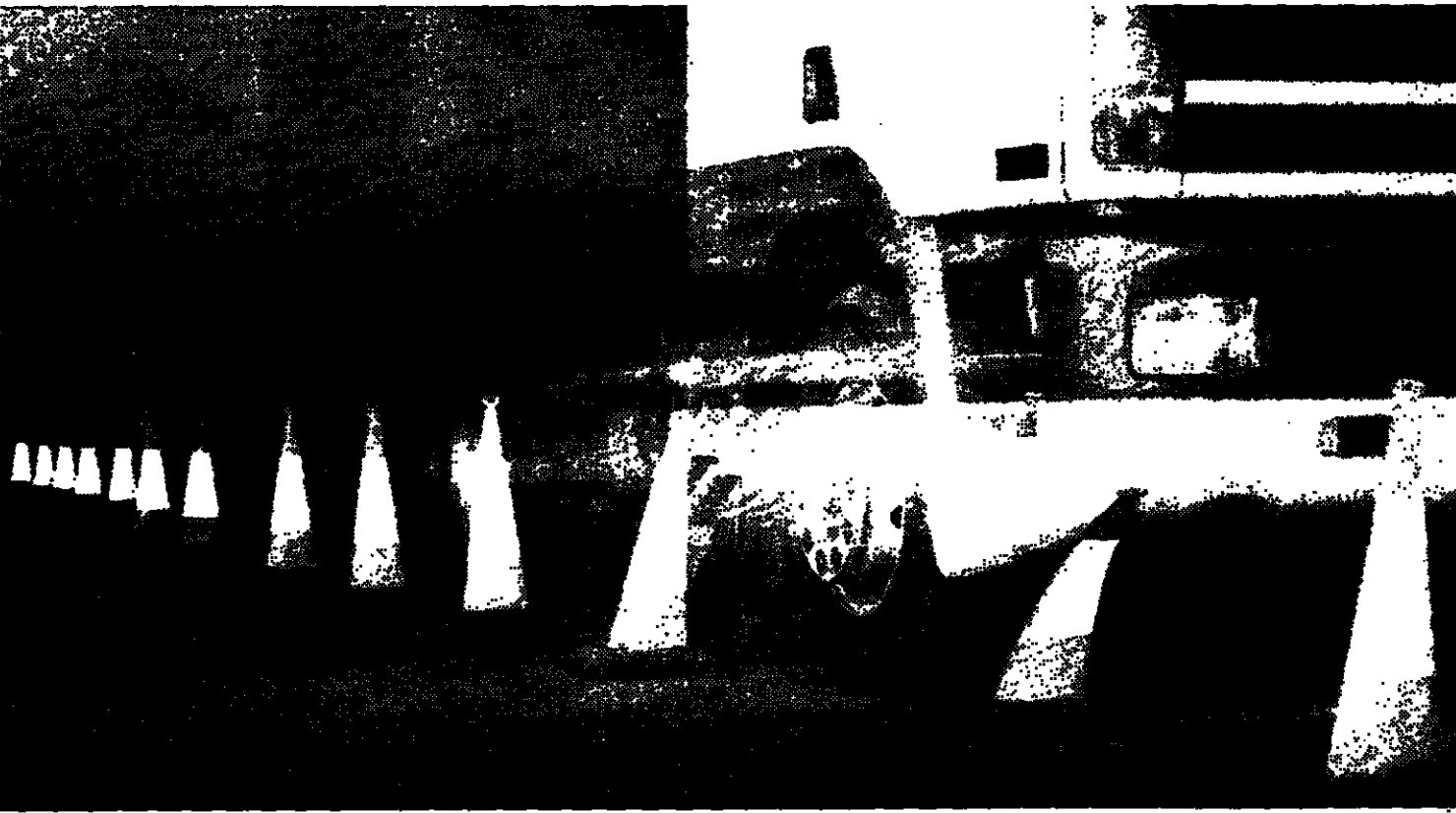
His research identified definite room for improvement. Traditional cones, he was surprised to discover, were responsible for up to 14% of motorway roadwork accidents. (Due to their tendency of getting trapped under vehicles when knocked over).

The 'Flatcone' he eventually developed is much safer as it just folds when run over then simply springs back into position. He also found a way to produce them very economically by using recycled tyre rubber for the base.

But probably his best idea was using the Patent Office. Thus ensuring his 'Flatcone' idea was properly protected. He even registered 'Flatcone' as a trade mark.

The Patent Office provides protection for all aspects of 'Intellectual Property' - trade marks, patents and registered designs. So if someone tried to get away with stealing Mr Myers' idea it wouldn't stand up in court.

To be Frank, we suggest you write or freephone for more information.



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This make sure you write to Ted Blake for your free information pack at The Patent Office, Room 1 L02, Cardiff Road, Newport, Gwent, NP9 1RH. Call 0800 319654.

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NEWS: THE AMERICAS

Clinton seeks to stem party losses

By Jurek Martin in Washington



US MID-TERM ELECTIONS November 8

President Bill Clinton yesterday launched a week-long drive to minimise expected Democratic party losses in the mid-term elections on November 8.

Mr David Wilhelms, the party's national chairman, travelled with the president to Philadelphia and proclaimed "the tide is turning."

But he added that he was under no illusion how tough the elections would be.

Indeed, in the first three states on Mr Clinton's itinerary - Pennsylvania, Ohio and Michigan - polls found Democratic candidates falling behind Republican opponents in seats the party already holds.

In Pennsylvania, a Pittsburgh Post-Gazette survey gave Congressman Rick Santorum, the Republican, a 46-35 point lead over Senator Harris Wofford. Though the poll had a small sample, with a margin of error of plus or minus 5 per cent, and was dismissed as unreliable by the senator's campaign, the two had previously appeared neck-and-neck.

As an indication of the importance Republicans attach to the state, Mr Santorum was

chosen to give the party's official response to the president's regular weekly radio broadcast on Saturday. He charged that the Democrats had secret plans to raise taxes and said "it is time for you to tell Washington that you want to keep your hard-earned income."

In Michigan Mr Spence Abraham, the Republican, was given a 46-34 lead over Congressman Bob Carr. Another survey a week ago had given the Democrat a small lead, but the popularity of Governor John Engler, the Republican, certain of re-election, appears to be pulling Mr Abraham along.

All the recent Ohio surveys show Lt Governor Michael DeWine with a double digit

lead over Mr Joel Hyatt, who is bidding to succeed his father-in-law, Senator Howard Metzenbaum. Mr Hyatt has started to dig into his own considerable private resources to finance a last-minute drive but most experts consider it too little and too late.

But both Mr Hyatt and Congressman Carr are to campaign with Mr Clinton today, in contrast to the president's previous visit, when both shunned him. Mr Mark Singel, now apparently trailing as the Democratic candidate for governor in Pennsylvania, also appeared with the president yesterday having failed to show up last month at a Washington fund-raiser on his behalf at which Mr Clinton was present.

The president's upwards move in the polls on the strength of foreign policy achievements may help his party, though by how much is unclear. Mr William Schneider, political analyst for the CNN-USA Today-Gallup national poll, said recently that every 2 point rise in the president's popularity was worth a seat in the House and every 8 points one in the Senate. By that logic, Mr Clinton has just saved four House seats and one in the Senate.

In New York the Democrats were able to take heart from the latest large sample New York Times/CBS-TV poll out yesterday which gave Governor Mario Cuomo a 44-34 point lead over Mr George Pataki.



Clinton: upward move in polls

AMERICAN NEWS DIGEST

US personal income rises

US personal income rose in September for the eighth month in a row, the Commerce Department reported yesterday, but consumption spending, though still increasing, showed some signs of weakening. Personal income rose by 0.6 per cent in September from August to a seasonally adjusted annual rate of \$5,766.7bn as wage and salary income continued to advance. Disposable income, after deducting tax payments and some other non-tax payments, also rose by 0.6 per cent. Personal consumption expenditures, however, rose only 0.2 per cent in September after gaining 0.8 per cent in August. Spending on durable goods, which had surged in August, fell slightly as car purchases tailed off, while spending on services and non-durable goods continued to advance.

In a separate announcement the Purchasing Management Association of Chicago said its index of business activity rose to 64.3 per cent in October from 63.3 per cent the previous month. The association said its index of prices paid by businesses rose to 72.5 per cent from 72.1 per cent in September. George Graham, Washington

Professor ahead in Bogotá poll

A flamboyant philosophy professor appears to have wrestled the mayoralty of Colombia's capital Bogotá from the ruling Liberal party in the biggest upset in Sunday's municipal and provincial elections. Partial results showed Mr Antanas Mockus, beating his Liberal opponent by a wide margin. Mr Mockus conducted an unconventional campaign, placing no paid advertising and erecting only four advertising hoardings in a city of nearly 7m people. He also cancelled all public appearances during the past week saying people were saturated with elections.

Early returns from the rest of Colombia showed the Liberal party holding on to power and remaining the dominant political force in this country of nearly 36m people. However, the traditional Liberal and Conservative parties lost a number of cities to candidates backed by civic fronts. Sarita Kendall and Reuter, Bogotá

Newport News Greek ship deal

Newport News Shipbuilding said yesterday it had become the first US shipyard since 1967 to win a foreign commercial ship order when it signed a contract with Elston Corp, a Greek shipping company, for two 46,000 ton tankers. The contract also includes an option for two more tankers, and follows the US Transportation Department's approval of a loan guarantee to Elston. The first of the two vessels, which can carry up to 343,000 barrels of oil, is due to be delivered in 22 months. Newport News has been heavily dependent on naval shipbuilding orders, but Tenneco, its parent company, has been seeking to diversify into commercial shipbuilding. George Graham

Athlete loses \$27m damages bid

US Olympic athlete Butch Reynolds yesterday lost his bid for \$27m in damages from the International Amateur Athletics Federation for barring him from competition after he failed a controversial test for the use of anabolic steroids. Mr Reynolds, who ran 400m in a world record 43.29 seconds in 1988 but was barred from the 1992 Olympics by the IAAF, was awarded the \$27m in damages by a federal judge two years ago. But an appeals court said in May that the US court did not have jurisdiction over the Monaco-based federation, and the US Supreme Court yesterday declined to review that decision. George Graham

Cuba opens up to more investment from overseas

By Pascal Fletcher in Havana

Cuba is to open up more of its recession-hit economy to foreign investment, including real estate, services and sugar production.

Vice-President Carlos Lage told a news conference in Havana at the weekend that the government was also preparing a new foreign investment law that would give more protection to overseas investors, who are already active in Cuba in activities ranging from oil exploration to citrus production.

Cuba began opening up its state-run economy to external investment after 1989 to offset the devastating impact of the collapse of its preferential trade and aid ties with the former Soviet bloc.

"From now onwards, no productive sector will be excluded from investment by foreign capital," Mr Lage said. Up to now, raw sugar production, traditionally the island's biggest export earner, had been explicitly closed to foreign investment. But the sugar industry is in deep crisis and has suffered two consecutive disastrously low harvests.

Mr Lage also announced that, in defiance of a continuing US economic embargo against Cuba, representatives of more than 60 US companies had visited the island in the first half of this year to discuss business prospects.

In some cases, letters of intent for future contracts had been negotiated to take effect when the US embargo was finally lifted by Washington.

Representatives of two British sugar companies, Tate & Lyle, and E&F Man, have held talks this year with Cuban investment officials.

Shortages of essential inputs previously supplied by the former Soviet Union, such as fuel, spare parts, fertilisers and herbicides, have crippled Cuba's sugar production since 1990.

On Cuba's economy, Mr Lage said it was still too early to talk of recovery. But he cited some positive signs, such as the growth of foreign investment, particularly in tourism and oil exploration, improvements in construction, cement and nickel production and progress in the government's efforts to stabilise the country's internal finances.

Nicaragua limps back to life

Edward Orlebar on the first expected growth year since the 1970s

Nicaragua is expected to grow this year, a rare occurrence for an economy that has been in almost unrelenting decline since the late 1970s as a result of political instability and a civil war.

But the economic expansion remains anaemic and there is little confidence that the economy has taken a decisive turn for the better. Growth is unlikely to exceed 1.5 per cent this year, less than population growth at around 3 per cent.

Unemployment is 80 per cent. Relative peace, and measures aimed at developing a market economy after the defeat of the left-wing Sandinistas in 1990 have not, so far at least, brought the economic benefits that the government has periodically promised.

Mr Oscar Rene Vargas, an economist, points to a drop in income per head of 48 per cent in the last five years. "This is the 'Africanisation' of Nicaragua," he says. "We won't be able to return to the levels of 1989 for 25 years."

The country's foreign debt - at \$11bn, more than eight times gross national product - is still a heavy burden. The government secured in June an Enhanced Structural Adjustment Facility with the International Monetary Fund, which gives it access to \$150m

a year until 1997, and the possibility to renegotiate debt with Paris Club creditors. But about 80 per cent of liquid foreign loans go towards debt service.

Meanwhile, Nicaragua is running a large trade deficit, has negligible reserves, an agricultural sector suffering from drought, and a virtually non-existent industrial sector. Even the machetes, the essential tool of any agricultural

labourer, are imported from El Salvador.

But observers say there are some signs of encouragement. Although many rural areas in the north are still plagued with banditry, the last group of organised rebels negotiated an agreement with the government in April.

Congress has passed a military code which strengthens civilian authority over the armed forces and gives the president the right to dismiss the defence chief.

Higher international coffee prices should push revenue above \$100m in 1995 and total exports to more than \$300m. Some foreign investment has

begun to flow towards the energy sector, tourism, and gold mining.

The national telephone company, Telcel, which has marketed its services since the end of the year, the seafood industry grew by 60 per cent last year.

"We believe there are significant opportunities here," says Mr Eduardo Montenegro, gen-

eral manager of Bancentro, one of nine private banks to open since 1991. "We have changed the direction of things and the direction we are going in is the right one," he says.

Some analysts, however, still see fundamental change needed in other areas: in the unrefined public sector - a loan to cover this is being negotiated with the World Bank - and in the financial sector, where the state banks are in desperate condition.

Furthermore, though the country's political divisions are less marked than they appeared a couple of years ago, there is concern that presidential elections in November 1995

are already beginning to sour the political climate.

A split has emerged among leading members of the Sandinista National Liberation Front between a modernising wing of the party and the authoritarian leadership of Mr Daniel Ortega - a probable presidential candidate - and other hardliners who have maintained left-wing rhetoric.

One manifestation of this is a division within the party over a proposed constitutional reform intended to make the executive more accountable to the legislature. The reform would among other things prohibit the immediate re-election of the president, shorten the term from six to five years, and ban close relatives from standing for election.

Observers say Mr Ortega wishes to negotiate a property law which would legalise Sandinista ownership of some properties confiscated during his administration in the 1980s. In return, they say, he would be willing to support the removal of the proposed ban on presidential relatives seeking re-election. This would allow the man described as Nicaragua's *de facto* prime minister, Mr Antonio Lacayo - the minister of the presidency and President Violeta Chamorro's son-in-law - to run for office too.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

■ UNITED STATES						■ JAPAN						■ GERMANY					
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator		Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator		Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.4	100.0	100.0	2.8	100.0	96.9	100.0	100.0	7.1	100.0	105.2		
1986	105.6	100.9	6.9	98.0	107.1	108.6	98.7	2.8	94.3	105.8	103.1	102.2	6.4	136.4	106.0		
1987	108.4	106.0	6.1	105.5	108.2	113.8	103.1	2.8	108.3	115.1	107.4	102.6	6.2	149.4	106.0		
1988	112.6	110.7	5.4	106.1	112.1	122.6	113.1	2.5	135.9	122.0	110.5	108.3	6.2	164.8	112.2		
1989	115.8	112.4	3.2	99.3	110.6	132.5	119.7	2.2	147.0	124.7	114.2	111.4	5.8	218.7	115.0		
1990	116.4	112.4	5.4	84.8	108.9	141.6	124.5	2.1	149.8	121.7	123.5	117.2	4.8	261.1	115.5		
1991	114.0	110.3	6.6	62.2	111.7	144.6	126.8	2.1	144.2	119.0	130.5	120.8	4.2	270.7	112.8		
1992	117.8	112.9	7.3	60.3	116.8	139.9	119.0	2.1	124.2	118.2	127.7	119.1	4.8	290.2	106.0		
1993	123.8	117.6	6.7	65.2	123.3	131.8	113.8	2.5	106.8	125.3	122.9	110.5	5.8	198.5	113.0		
4th qtr.1993	5.7	4.3	6.4	69.4	123.3	-5.0	-4.2	2.7	103.3	125.3	-3.5	-3.1	6.3	179.2	113.0		
1st qtr.1994	7.0	5.0	6.5	71.3	123.8	-3.4	-3.1	2.8	101.7	130.0	0.5	0.0	6.5	194.8	118.2		
2nd qtr.1994	6.1	5.8	6.1	74.7	124.6	-1.8	-1.1	2.8	102.9	130.8	-1.9	0.0	6.8	198.2	119.8		
3rd qtr.1994	8.8	8.8		75.2		1.6								194.3			
October 1993	5.3	4.1	6.6	68.5	120.8	-6.0	-6.0	2.7	98.6	124.5	-3.5	-4.3	6.2	175.9	111.9		
November	5.8	4.2	6.4	68.9	122.3	-6.5	-3.2	2.7	111.8	124.5	-4.7	-4.0	6.3	180.1	112.4		
December	6.0	4.6	6.3	70.7	123.3	-2.5	-3.5	2.8	99.5	125.3	-8.2	-1.0	6.3	182.8	113.0		
January 1994	4.4	4.8	6.9	68.7	123.5	-2.7	0.0	2.8	102.2	125.3	0.4	-1.7	6.4	180.3	113.0		
February	7.0	4.6	6.4	72.9	123.5	-3.2	-4.4	2.9	97.7	127.6	-0.6	1.0	6.5	198.8	114.8		
March	9.7	5.4	6.5	74.3	123.8	-5.0	-2.2	2.8	110.7	130.0	0.5	0.7	6.5	196.8	116.2		
April	9.7	5.0	6.4	73.5	124.3	-1.9	-2.0	2.8	99.5	130.8	-7.8	2.8	6.5	192.6	117.7		
May	5.8	6.0	6.0	70.4	124.3	-1.8	1.8	2.8	103.3	130.3	2.5	2.3	6.6	187.6	119.1		
June	5.8	6.4	5.9	74.1	124.6	-0.2	0.7	2.9	105.1	130.8	-0.1	4.1	6.6	188.7	119.8		
July	4.9	6.3	6.1	76.6	124.9	-0.5	3.0	2.9	98.6	132.2	-3.3	6.4	6.7	190.1	121.0		
August	5.2	6.8	6.1	74.9	125.5	3.6			106.9	132.9	-3.2	1.2		193.4	121.5		
September	6.6			73.4		1.8								199.3			
■ FRANCE						■ ITALY						■ UNITED KINGDOM					
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator		Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator		Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.3	100.0	102.3	100.0	100.0	9.6	103.8	100.0	100.0	100.0	10.2	100.0	102.1		
1986	102.4	101.1	10.4	107.0	109.1	106.8	104.1	10.4	110.7	105.3	102.4	11.2	116.1	105.6			
1987	104.5	103.1	10.5	117.2	117.7	112.1	108.8	10.0	112.6	110.7	112.5	10.1	141.2	110.1			
1988	107.9	107.3	10.0	135.3	114.3	107.9	114.2	10.9	117.7	117.8	111.6	8.8	143.1	106.5			
1989	109.5	111.3	9.4	160.6	113.9	116.8	118.7	10.9	115.8	120.1	114.0	7.2	123.5	106.1			
1990	110.3	112.9	9.8	120.4	107.4	114.4	118.0	10.3	112.0	113.4	113.7	6.8	97.2	103.5			
1991	110.3	113.2	9.4	138.2	106.6	111.0	115.4	9.8	114.9	115.8	109.2	9.8	188.2	109.1			
1992	110.5	113.2	10.4	109.5	106.6	116.9	115.4	9.8	111.7	120.5	109.0	9.9	69.3	112.5			
1993	110.7	109.9	11.7	90.0	109.7	114.2	112.9	10.2	121.6	124.8	111.3	10.3	76.3	121.0			
4th qtr.1993	-0.5	-1.5	12.3	80.3	109.7	-6.9	-0.3	10.7	121.5	3.7	3.0	10.1	82.6	121.0			
1st qtr.1994	1.4	0.4	12.5	93.6	112.9	-0.9	11.7	123.2		3.5	4.2	9.9	84.8	123.4			
2nd qtr.1994	-1.3	3.6	12.8	110.6	114.9	5.0	12.5	125.5		3.8	5.8	9.5	89.0	123.7			
3rd qtr.1994					115.9					3.6							
October 1993	-2.7	-4.4	12.2	83.8	107.9	-5.6	-1.3	n.a.	119.8	3.2	2.2	10.2	80.7	119.3			
November	2.0	-0.1	12.4	79.6	108.8	-5.4	-1.4	n.a.	120.8	3.8	3.4	10.1	83.5	119.8			
December	-0.6	0.0	12.4	77.5	109.7	-9.9	1.9	n.a.	121.6	4.2	3.3	9.9	83.7	121.0			
January 1994	0.7	1.3	12.5	82.6	110.4	-6.2	3.5	n.a.	122.2	3.8	4.4	10.0	84.4	122.1			
February	1.4	-0.8	12.5	95.1	111.5	-0.2	n.a.	122.9	2.8	3.9	9.9	84.5	123.0				
March	2.0	0.6	12.6	103.3	112.9	1.0	n.a.	123.2	3.7	4.2	9.8	84.8	123.4				
April	-3.9	3.6	12.6	113.8	114.3	6.9	n.a.	123.4	4.3	6.1	9.8	87.4	123.3				
May	3.1	3.7	12.7	109.6	115.1	2.8	n.a.	123.8	4.1	5.2	9.5	88.6	123.6				
June	-2.8	3.8	12.6	108.3	114.9	5.9	n.a.	122.5	4.1	6.2	9.5	91.3	123.7				
July	-1.8	5.2	12.8	105.2	114.6	6.5	n.a.		3.8	4.8	9.5	89.9	124.2				
August	4.0	5.2	12.6	109.9	115.9	14.3	12.3			6.3	4.6	9.3	97.6	124.7			
September										3.7			89.0				

A definition of highly available computing:

"The use of redundant components in conjunction with appropriate fail-over and restart mechanisms in both hardware and software to permit event notification of failure conditions coupled with application and/or database checkpointing and rollback/recover algorithms, thus establishing reasonable assurance within predicted norms that a combination of redundancies will allow a confidence factor to exist and that mean time to repair shall be a small enough variable in conjunction with simultaneous mean time between failure of the aforementioned redundant components that the overall system availability will be significantly above normal performance." ~ *The competition*

Common sense translation:

"Your computer system should be up and running 24 hours a day, 7 days a week, 365 days a year, so you don't have to be." ~ *Data General*

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NEWS: WORLD TRADE

Japan and US struggle to seal glass pact

By Michio Nakamoto in Tokyo

Japanese and US trade negotiators yesterday extended their talks for a third day in a bid to reach agreement on means of improving foreign access to Japan's market for glass products.

The talks were continuing nearly one month after the two sides indicated they had reached an agreement in principle on opening the market.

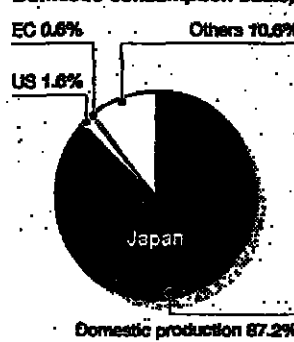
Failure to produce an agreement last week kept negotiators working in Tokyo over the weekend and into a third day as yesterday's deadline approached.

Lack of an agreement by the deadline could prompt the US into taking unilateral trade action, possibly sanctions, against Japan's flat glass market.

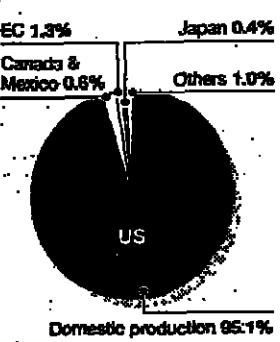
Mr Hideaki Kumano, vice-minister for international trade and industry, said yesterday

Japan's flat glass imports

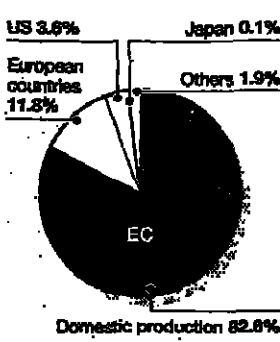
Domestic consumption basis, 1991



Source: MFA



Source: MFA



Source: MFA

that Japan hoped to settle the glass talks by the deadline. "I hope both parties will wrap up talks even if discussion is extended into the small hours of Tuesday," he said.

The talks are a remnant of the bilateral framework negotiations under which Japan and the US reached a partial agree-

ment at the end of last month.

At the time, the issue of Japan's flat glass market, together with that involving the country's market for vehicles and vehicle parts,

were postponed when Japan and the US announced they had reached agreement in four of the five priority sectors tar-

geted under the framework negotiations.

An agreement on the glass market had been reached "in principle," the Japanese government said at the time, and details were to be worked out within 30 days.

Mr Steve Farrar, director of international business for

Guardian Industries Corp, a US glass maker, said most differences had been resolved. As with other US-Japan disputes, stalemate has emerged over US efforts to pin down specific criteria to measure progress.

"We want to avoid having a situation where importers could buy token amounts and never become serious customers," he said. "We want to be sure that what is being measured is substantial business relationships."

The US claims that Japan's flat glass market, which is the second largest in the world at \$4.5bn a year, is closed to foreign suppliers.

This is because of the dominance of three large domestic producers which have very tightly controlled distribution arrangements with the industry's wholesalers.

US makers have only a 1 per cent share of the Japanese

market, compared with more than 35 per cent in Europe and Latin America, the US says. Under these circumstances, the US would like to see more procurement of US-made glass for facilities owned by the government in addition to greater market access in the private sector.

The Japanese side has claimed that its market, with imports amounting to 12 per cent, compares favourably to that in the US, where imports are a meagre 5 per cent and in Europe, where foreign-made flat glass accounts for 17 per cent of the market.

The Japanese government has been reluctant to interfere in what it considers a matter for the private sector. The basic stance of the government is that if US companies want a larger share of the Japanese market they should raise their competitiveness.

China signs deal with S Korea to develop airliner

By John Burton in Seoul

South Korean and China yesterday agreed to develop a 100-seat passenger aircraft by the end of the decade in the latest of several proposed Asian aerospace projects.

The \$1.5bn (\$940m) Sino-Korean project is meant to meet growing demand for regional airliners in Asia. Taiwan and Indonesia have already announced similar programmes.

The aerospace agreement was signed during the first day of a visit by Chinese premier Li Peng to Seoul, following a memorandum of understanding reached in June.

China and Korea will equally share between 70 per cent and 80 per cent in a joint venture to be formed next year. Western partners providing engine and other advanced technology would be given a 30 per cent share, while other Asian aviation companies, possibly from India and Indonesia, would be granted a 10 per cent stake.

Samsung Aerospace was recently selected to head the project's Korean consortium, which also includes Korean Air, Daewoo Heavy Industries and Halla Shipbuilding & Heavy Industries. Chinese participation is being led by Aviation Industries of China.

The joint venture is expected to select the aircraft type and foreign technical partners by early next year.

The aircraft programme has been promoted by the Korean

government as one of the nation's main industrial goals over the next decade.

However, Korean aerospace companies and airlines have privately expressed scepticism about the project because of the availability of similar and cheaper western aircraft.

Korean officials argue that a domestic airliner is needed to reduce the country's dependence on imports of foreign aircraft and parts, which are expected to cost \$3bn a year by 1997.

The project's development target date of 1998 is also considered unrealistic by some analysts because of the lack of aerospace expertise, particularly in Korea.

China is expected to provide most of the basic aerospace technology, while Korea's contribution will be mainly financing and production technology.

But the Sino-Korean partners still disagree over which country will be responsible for final assembly of the aircraft. China is also understood to be interested in collaborating in a proposed project to develop a 70-100 seat regional aircraft with Japan in partnership with Boeing of the US.

Indonesia, Malaysia, Singapore, South Korea, Taiwan, China and Japan have all sought to expand their presence in the aerospace industry through increased collaboration with western manufacturers as well as through their own programmes.

Australia-NZ relations clouded

Terry Hall and Nikki Tait examine Sydney's freeze on 'open skies'

The decision by the Australian government last week to freeze moves towards "open skies" with New Zealand underlines the extent to which progress in the broader trade relationship between the two countries has stalled.

Precisely why the Australian authorities chose to deny Air New Zealand's right to fly domestic Australian routes from today, which it was not, in any case, planning to do immediately, is not clear. The official explanation is that the two countries have yet to set up the borderless visa and customs arrangements which were due to accompany "open skies" and to reach an agreed stance on airline ownership and control matters.

But this is not the whole story. One possibility is that the Australian government wants to protect Qantas, the country's flagship carrier, before floating its 75 per cent interest in the airline next year.

A second view is that the Australian authorities are more interested in achieving a further rationalisation of Australian air services - perhaps via an alliance between Air New Zealand and Ansett, the Australian carrier that already flies domestically within New Zealand. This would extend the duopoly in the Australian market across the Tasman.

The stalling in the broader trade relationship between the two countries is in sharp contrast to the 1980s, when big steps were taken towards the creation of a single Trans-Tasman trade bloc. In 1983, the two countries signed a "Closer

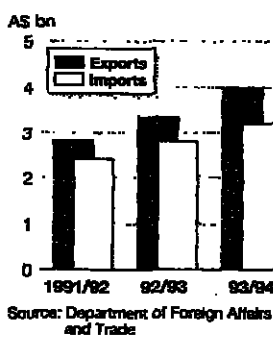
Economic Relations" (CER) pact under which they pledged to create a Trans-Tasman free-trade zone for manufactured goods.

CER was reviewed in 1988 and the date for free trade brought forward by five years to July 1990. At that stage, the two countries also agreed to free trade in services, except for certain exempted sectors such as aviation and telecommunications. They also promised to deepen the trade relationship through the harmonisation of business law and quarantine/customs procedures, and pledged to remove technical barriers to trade, such as product standards laws. Such was the Trans-Tasman enthusiasm, that there was even casual talk of establishing a common currency and stock exchange.

Since then, the tempo has slowed, leaving some important issues unaddressed. There has, for example, been no visible progress on key taxation matters - such as mutual recognition of franking credits to stop double taxation of dividends paid by Trans-Tasman companies - or on corporate/business law. Action in some of the more sensitive service areas, such as media and telecoms, has also been lacking.

Explanations for the change in pace are various. First, while benefits of CER have accrued to both countries, New Zealand is widely thought to have been the greater beneficiary. Australia is New Zealand's biggest buyer of manufactured goods, taking about one-fifth of its exports. By contrast, New Zealand accounts for about 6 per cent of Australia's exports.

Australia: trade with New Zealand



Source: Department of Foreign Affairs and Trade

lia's exports. Indeed, five years ago Australia's Bureau of Industry Economics forecast that New Zealanders would get around eight times more benefit per head than Australians.

On a longer-term view, 30 years ago, Australia exported to its neighbour four times the amount that it imported. The balance has shifted dramatically in New Zealand's favour: in the year to June, Australian exports to New Zealand were \$4.4bn (US\$2.9bn) and its imports were \$3.2bn.

That said, the rate of growth in Australian exports to New Zealand (about 19 per cent) has outstripped import growth (15-16 per cent) over the past two years. Nevertheless, said New Zealanders suspect Canberra may have decided that the uneven benefits had gone far enough and that, in the case of the "open skies" policy, separate though it is from CER, it was time for redress.

A second factor is more political. The relationship between Mr Paul Keating, Australia's

prime minister, and Mr Jim Bolger, his New Zealand counterpart, is supposedly cordial. Nevertheless, Sir Frank Holmes, professor emeritus with the Institute of Policy Studies in Wellington, thinks the last Australian election, when the Liberal party endorsed much of New Zealand's hard-nosed economic reform programme, soured Mr Keating's attitude towards Australia's neighbour. There is a feeling that Mr Keating would now like to widen the gap between the two. The atmosphere has not been helped by New Zealand's trumpeting of its recent economic performance.

A third factor may be that both countries are looking towards the fast-growing Asian markets for further export growth. This tends to diminish the significance of the Trans-Tasman relationship - although CER has been promoted as a model for the region and there are joint efforts to link CER to Afta, the free trade agreement between the Association of South-East Asian Nations. At the same time, New Zealand and Australia are competing to sell themselves as English-speaking gateways into the region.

In New Zealand there is some disquiet. There is talk of a new lobby group to give CER a new push. Mr Ted Woodford, the former New Zealand high commissioner in Canberra, said recently that CER had lost its momentum and that it was important for moves to be made at a political level to reinforce its good features. The aviation dispute seems a step in the wrong direction.

WORLD TRADE NEWS DIGEST

Nations queue to join WTO

Three countries have formally applied to join the World Trade Organisation, even though it has yet to come into existence. This is in addition to the 125 nations which took part in the Uruguay Round global trade negotiations. Slovenia, which became the 124th member of the General Agreement on Tariffs and Trade at the weekend, has already opened negotiations to join the WTO, which is due to start work on January 1 next year. Gatt will be absorbed by the new organisation.

Croatia, which applied for Gatt membership last year, now says it wants to join the WTO directly. And Sudan last week became the first country not to apply for Gatt membership all, but to aim straight for WTO entry. WTO membership requires applicants to sign up to fair trade rules covering not only goods, as Gatt does, but also services and intellectual property. In addition, members must submit schedules of market opening commitments for goods and services agreed after bilateral negotiations with trading partners. Some 19 nations are continuing to negotiate Gatt accession, including China and Algeria which took part in the Uruguay Round. The assumption is that they will all apply to join the WTO in due course. China and Taiwan are already negotiating on services and intellectual property in readiness for WTO membership.

Among the others, the most advanced is Mongolia, where agreement on Gatt membership terms is close. A four-day meeting of the working party considering Mongolia's draft protocol of accession starts today. Ecuador has also begun tariff negotiations marking the final stage of the Gatt entry process. *Frances Williams, Geneva*

Apec confident on free trade

Mr Rusli Noor, executive director of the Asia-Pacific Economic Co-operation (Apec) secretariat, yesterday expressed confidence that the November 15 Apec summit in Indonesia would help accelerate plans to liberalise trade in the Asia-Pacific region, despite the reservations of some members. "There are certainly some sorts of concerns [on the free-trade plan] among the members of Apec," he said. Although it was not possible to assess the impact of such concerns on the summit, Apec's goals of trade liberalisation could eventually be realised.

Apec groups Australia, the US, Canada, Mexico, Japan, China, Hong Kong, Taiwan, South Korea, Indonesia, Brunei, the Philippines, Malaysia, Singapore, Thailand, Papua New Guinea and New Zealand. Chile will become a full member in November. At the summit, in Bogor, Indonesia, leaders of 18 economies will discuss ways to remove rules that hamper trade. China and Malaysia have said they will not accept a binding timetable for free trade, while a Japanese trade official has said that, although Tokyo basically supports freer trade, it is not ready to accept blindly all proposed liberalisation measures. *Reuter, Singapore*

Coca-Cola tries for trade mark

Coca-Cola yesterday sought to register its bottle as a trade mark on the first day of applications under the UK Trade Marks Act 1994. The act allows three-dimensional shapes, sounds and smells to be protected as registered trademarks for the first time in the UK. Eight years ago, Coca-Cola failed in a test case under the old Act to register the shape of its bottle. Its new attempt is expected to be accepted.

In the first hour yesterday at the Patent Office in Newport, south Wales, 373 applications were made. They included the shape of the chocolate in a Toblerone bar, the red telephone and jingle used in advertisements for Direct Line, the British insurance company, and the smell of roses impregnated into Sunbrite tyres. In all, about 800 applications were made yesterday. *Roland Adhurbarm, Wales and West Correspondent*

Taiwan's trade deficit jumps

Taiwan's trade deficit with Europe rose to \$2.36bn (\$1.49bn) during the first nine months of this year, compared to \$752m during the same period last year, sparking concern among the island's trade authorities. Exports to Europe from January to September fell 3.7 per cent to \$9.25bn, while imports climbed 12.1 per cent to \$11.61bn. Germany was Taiwan's biggest trading partner. *Laura Tyson, Taipei*

Japan probes dumping charges

Japan is sending two missions to Pakistan to investigate dumping charges made by the Japanese textile industry against exports of Pakistani cotton yarn, a Ministry of International Trade and Industry official said yesterday. Miti and the Ministry of Finance will send one mission in November and another in December. Both missions will check the accounts of Pakistani factories to see whether they are exporting cotton yarn to Japan at a lower price than that at which it sells domestically, the Miti official said. Japan plans to make a final decision on the case in February 1995. *Reuter, Tokyo*

Contracts and ventures

■ Siemens, the German electrical and electronics group, has set up a joint venture in Zagreb with the Croatian industrial company Koncar Holding to make power transformers and components. Siemens will be the majority shareholder in the new company, Koncar Power Transformers, and will take a 1 per cent stake in Koncar Holding. Initially, the venture is expected to have sales of DM25m (\$16.5m) a year, mainly in Croatia and Slovenia. *Andrew Baxter, London*

■ Asea Brown Boveri has received an order worth approximately \$150m to build a further 370MW combined-cycle gas and oil fired power station at Bundang, near Seoul, in South Korea. The order was received from Kepco, the South Korean national electricity utility. The plant, which will begin operating in 1995 in single-cycle mode, will be equipped with three ABB type-GT11N gas turbine generating sets and a steam turbo set. *Reuter, Seoul*

■ A \$100m contract to upgrade and expand a chemical pulp mill at Mönsterås in southern Sweden has been awarded to Norway's Kvaerner group by Sweden's Södra Cell. The contract comes at a time of rapidly increasing pulp prices and rising demand for environmentally friendly totally chlorine free (TCF) pulp. The Norwegian company will supply a continuous digester, a TCF bleach plant and a boiler for the recovery of chemicals and energy. The moves will lift TCF pulp capacity at Mönsterås by 200,000 tonnes a year to 535,000 tonnes by mid-1996. *Christopher Brown-Humes, Stockholm*

■ Spanish construction firm Dragados y Construcciones has won a P1235bn (\$278m) contract to expand the Saratov refinery in central Russia. The work to be done over four years, follows two basic engineering contracts. Chemical Bank, the Russian American Investment Bank and Spain's Banco Central Hispano are financing the project. *Reuter, Madrid*

■ Thomson-CSF has won a contract worth Sch1.2bn (\$113m) to supply 22 radars to the Austrian army. *Reuter, Vienna*

The Financial Times plans to publish a Survey on Greece

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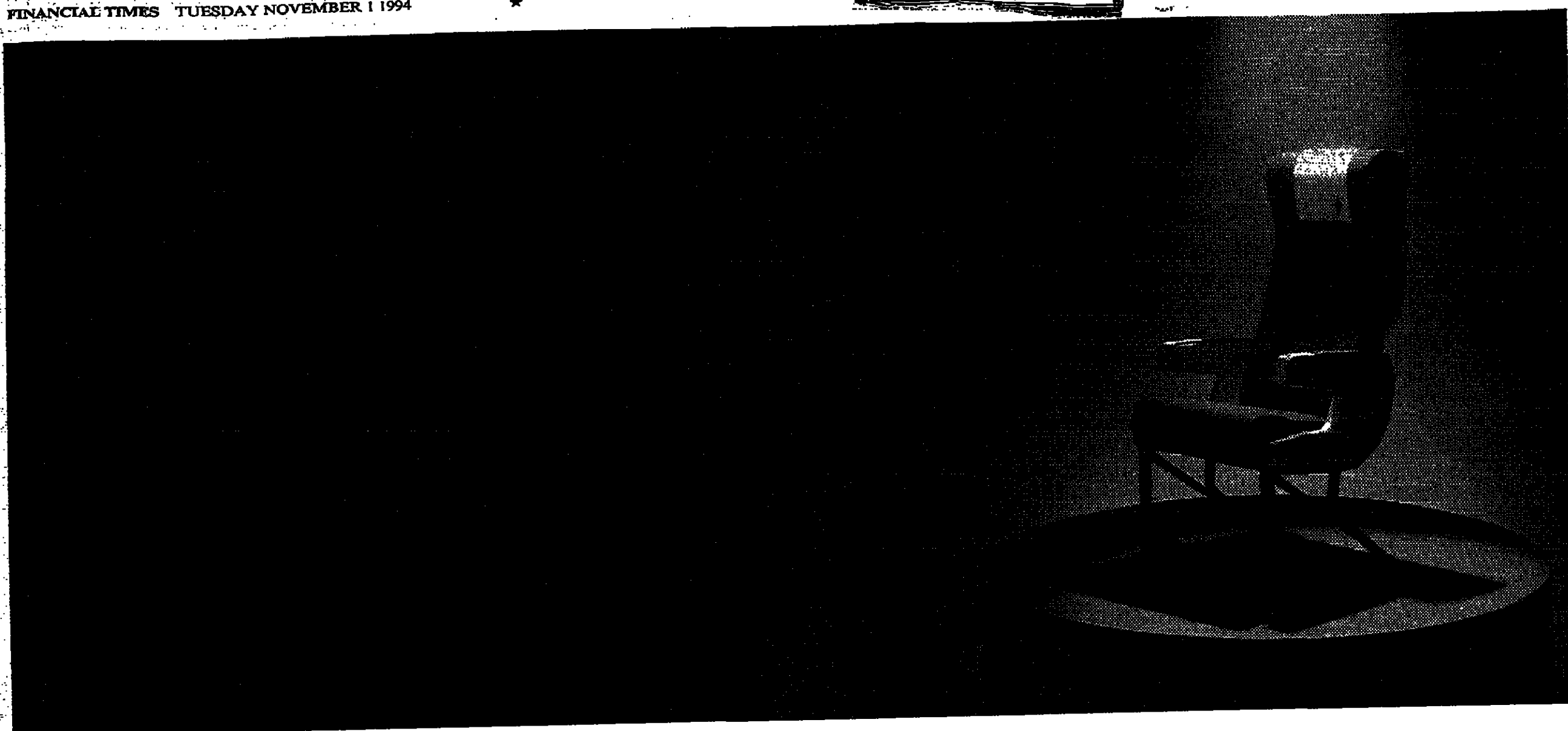
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NEWS: INTERNATIONAL

Pin-up will help re-shape Japan's politics

The nine main opposition parties are seeking a new name, writes William Dawkins

Japanese politics has become enlivened by Ms Fumie Hosokawa, a former pin-up whose curvaceous shape elicits the envy of half the electorate and the admiration of the rest.

Ms Hosokawa, unrelated to the former prime minister of that name, has been chosen by Japan's nine main opposition groups to join a panel to choose a name for the mega-party they plan to form next month.

They hope it will deliver the final blow to the conservative Liberal Democratic party's weakened monopoly on power. It may mark a step from the present arcane wranglings, which has left nearly 45 per cent of the electorate unable to support any political party, to a more coherent balance of power between two or three evenly-matched players.

Ms Hosokawa, a television personality who whimsically confesses she knows nothing of politics, is a walk-on player in the newest of the series of realignments that have over the past 18 months, opened cracks in Japan's power structure and let in much fresh air in the process.

The starting signal for the latest realignment came on Sunday, when the party that triggered the present upheavals, an LDP breakaway group called the Japan New party, disbanded two-and-a-half years after its formation, in order to pave the way

for a merger with its eight opposition allies.

The marriage of the nine is due to take place at what is billed to be a spectacular celebration on December 10 in Minato Mura 21, a futuristic complex around the world's most expensive building in Yokohama. The organisers no doubt hope it will symbolise the new party's trend-setting aspirations.

Ms Hosokawa and the other 15 members on the opposition's party-naming panel are due to announce the title of the new group, to an orchestral fanfare in Minato Mura 21, conducted by Mr Tsutomu Hata, former prime minister and karaoke supremo. The opposition nine formed a parliamentary voting bloc last month under the name of Kaikaku, or renovation. They have been provisionally named by the local media as Shin-Shinto, or New-New party.

Nobody has suggested a catchier alternative, though a ¥200,000 (£127) mystery gift from the opposition and a tour of parliament awaits the winner of a public competition to find one. The razzmatazz surrounding the birth of the New-New party, or whatever it will be called, is a consequence of the sharper competition for power emerging ahead of a new electoral system and tougher controls on fund-raising to take effect from January. The old system, in which assidu-

ously cultivated personal relationships are what counts, is being challenged by the vote-catching smile of Ms Hosokawa and the public image of her professional political colleagues. Ideologies on each side are about the same, so presentation is what

A new opposition would lead to a more coherent balance of power

matters. This is starting to look like a US election campaign, the Nihon Keizai Shimbun daily complains. To accuse Japanese politics of becoming like the US may be looking a long way ahead. Yet it is true that the present 13-party Babel that inhabits Japan's lower house of parliament is embarking on the final stage of the search for a more orderly balance of power. It might even, say supporters of reform, pave the way for an ideological debate about Japan's future.

All involved in Japan's political realignment know they must complete their regrouping soon. This is partly because the new system, which favours large parties, will take effect (barring the unexpected) in two months. To add to the urgency, Japan

faces local elections next April, followed by elections for half the upper house in July. A general election could come at any time, depending on the whim of the government and the New-New party's skill in wooing defectors from the ruling side.

So it is that the old and some new relationships on both sides of parliament have been melted fast by Ms Hosokawa's smile and by the political heat to come. Soka Gakkai, the influential Buddhist movement, announced last week that it will abandon its traditionally exclusive support for Koizumi, the Clean Government party, which Soka Gakkai formed 30 years ago and is now a mainstay of the opposition.

Mr Koizumi Ishida, Koizumi's leader, even said he would support a former LDP man as candidate for leadership of the New-New party, so removing one of the main obstacles to agreement on a leader for the opposition nine. Main candidates include Mr Hata and Mr Toshiaki Kaifu, another ex-prime minister. Both are former LDP heavyweights.

Existing alliances are similarly up for renegotiation among the three-party ruling alliance of LDP, Social Democratic party and New Harbinger party, former enemies who joined forces last June to oust Mr Hata's coalition government. The shared interests of the three government par-

ties are surprisingly strong, thanks to the SDP's decision to dump most of its old foreign, defence and fiscal policies. Yet, gutted of its core ideologies, the SDP now looks ready to implode.

Mr Tomichi Murayama, the first SDP prime minister in 47 years, admitted as much recently when he assented to plans by his party's majority right wing to form yet another new party. This would embrace like-minded politicians from government and opposition, of obvious interest as a potential ally for the new-new party.

Mr Ichiro Ozawa, power behind the scenes of the New-New party, is tentatively seeking to woo the SDP defectors to cross the floor of the house and rejoin him, just as the SDP did, to its regret, in the previous two coalition governments.

According to Tokyo political gossip, Mr Sadao Yamahara, leader of the defectors from the right-wing of the socialists, might be offered the chance of becoming prime minister of a future New-New party government, to help him make up his mind whose side to join.

The prospect of a new government under a prime minister from the same party as the old one might sound fanciful. Yet it illustrates the high-stakes bargaining now under way as Japan's fragmented political factions struggle to reorganise along clearer lines.

INTERNATIONAL NEWS DIGEST

Kashmiris seize backpackers

A Kashmiri militant group holding three backpackers hostage has threatened to behead them if 10 of their own men are not freed from jail, the United News of India agency said. Earlier, a British Foreign Office spokesman said three Britons and an American had been captured. He named the three Britons as Paul Ridout of Dorset, Miles Croston of Buckinghamshire and Rhys Partridge of Suffolk. But hours after the kidnapping claim was received, police said the American was found near New Delhi chained to an iron post, unharmed. Bala Joseph Nuss told police he had been kidnapped 10 days before.

Voice of America radio received letters containing the kidnapping claim, accompanied by photographs of the hostages held at gunpoint. The group, calling itself Al Hadid, said it was based in the tribal areas of Afghanistan. Officials said they had not previously heard of Al Hadid, but five of the men whose freedom was sought were from militant groups fighting in Kashmir. *Reuters, New Delhi.*

Singapore sees cabinet woe

Singapore's prime minister yesterday lamented the difficulty of luring talented people into government jobs. Mr Goh Chok Tong told parliament the country's government was in danger of slipping into mediocre hands that could imperil its economic success. "The task of cobbling together a good cabinet is getting more difficult as competent people prefer to work in the private sector for better salaries," he said, while presenting a plan for big salary rises for ministers and civil servants. "Unless we find several potential ministers soon, we will have a serious succession problem by 2000." *AP, Singapore*

HK video row heats up

Hong Kong broadcasting authorities showed their hand in an industry argument over how new video-on-demand technology should be regulated, saying it did not need to be covered by broadcasting laws. Wharf Cable, the territory's exclusive pay television licensee, argues video-on-demand is a public broadcast and providers should be licensed under broadcasting laws. Mr Alex Arena, director-general, telecommunications, said video-on-demand was considered a point-to-point service and not a public broadcast. "Our present thinking is that it is not appropriate to apply broadcasting regulation to a point-to-point service specifically controlled by the customer," Mr Arena said. "The content of transmission should fall in the ambit of broadcasting regulation only if transmission is meant for general reception." *Reuters, Hong Kong*

Costliest jadeite necklace

The Mdivani jadeite necklace remained the costliest piece of jadeite jewellery ever sold at auction when it realised HK\$33m (£2.6m) at Christies Swire in Hong Kong yesterday. The 27 brilliant green beads are of exceptional size and purity, and are believed to have been cut from the finest jade ever found. Fashioned into a necklace by Cartier for Mrs Barbara Hutton, the Woolworth heiress and valued by Cartier at \$500,000 in the 1930s, the necklace was sold from the estate of the Princess Nina Mdivani at Christies Geneva in 1983. Yesterday it was sold by a South-East Asian collector to Mr Sammy Chow of the Hong Kong Jewellers Trio Pearls. *Susan Moore, London*

US-China arms talks progress

Talks between the US and China on arms control had helped to narrow differences, the US side said yesterday. Mr John Holm, director of the US Arms Control and Disarmament Agency, said he had invited vice-foreign minister Liu Huaqing to Washington in the spring for more talks. One of the issues discussed in detail was reaching an early agreement on a comprehensive test ban treaty. He repeated US concern about China's testing, which included the second test blast in four months at the beginning of October. Other issues discussed included starting negotiations on a fissile material cut-off pact, an idea from President Bill Clinton that calls for all countries to cease production of plutonium or highly enriched uranium for weapons purposes. *Reuters, Beijing*

Australian budget deficit

Australia posted a budget deficit of A\$4.511bn (£2.05bn) for the first three months of the fiscal year to June 30, 1995, against A\$2.962bn for the same period a year ago. Finance Minister Kim Beazley said. "The relatively high cumulative deficit to the September quarter of A\$4.511bn mainly reflects lower revenue collections, largely due to timing factors," Mr Beazley said. Spending for the year to date was A\$31.618bn, up 4.5 per cent from a year ago. The May budget forecast of a full-year deficit of A\$11.7bn assumes full-year spending growth of 5.7 per cent. Three-month revenue to September was A\$27.108 bn, down 0.7 per cent, compared with 8.4 per cent budgeted growth. *Reuters, Canberra*

Japan building orders fall

Orders received by Japan's 50 main construction companies in September fell 7 per cent from a year earlier, the first drop in three months, the Construction Ministry said. *Reuters, Tokyo*

Solomons without a premier

The Solomon Islands was without a prime minister yesterday after Mr Francis Billy Hilili resigned 18 days after refusing to step down when sacked by the governor-general. It is unclear who will become the new prime minister. The former Prime Minister Solomon Mamaloni had been sworn in as a caretaker premier on October 25. But it was unclear if Mr Mamaloni's caretaker role remained valid. Governor-General Moses Pitikaka was yet to make a statement on Mr Hilili's resignation, and is now expected to call for nominations. Political analysts say Mr Hilili's stance against alleged exploitation of tropical forests by foreign logging companies had caused his loss of support. His resignation ended almost three weeks of political crisis, which at times meant the country had two prime ministers. *Reuters, Honiara*

Japan's TV ratings row worsens

By Emiko Tarazono in Tokyo

A row in Japan over television audience ratings is set to intensify with the launch today by Nielsen Japan, the Japanese arm of the US research group, of an automated system which measures individual viewing.

Although Japan has the world's second largest television advertising market, marketing techniques used by advertising agencies and corporate advertisers are said to be unsophisticated compared to other developed markets, as television ratings have been based on viewing households rather than individuals.

Nielsen's plan, announced in August, has met strong opposition from the country's large television networks and leading advertising agencies, which own shares in Video Research, a television ratings company which has held a virtual monopoly of the business.

Some networks, including Nippon Television Network, are threatening to end existing contracts with Nielsen which supplement Video Research's data, unless the ratings group backs off from its plan.

Advertisers and foreign advertising agencies, on the other hand, are supporting Nielsen's move. They have been frustrated by the lack of market research and feel the changes, which will give them timely data on the age and gender group of programme viewers, are long overdue.

Bates Japan, part of the Saatchi and Saatchi advertising group, became the first advertising agency to subscribe to the Nielsen service being offered from today. "We simply owe it to our clients to give them the most accurate information available about their media investment," said Mr Kim Walker, president of Bates Japan.

Criminal gun rules 'free' Cambodia

After 23 years of civil war nearly everyone is armed, writes Jonathan Miller

Mr Benoit Duchateau-Armignon's La Casa restaurant in Phnom Penh set up the Cambodian capital's first pizza delivery service in September. The trouble is, last orders have to be phoned in well before 5pm because even La Casa's pizzas are not worth dying for.

Mr Duchateau-Armignon says it is too dangerous for his staff to be out on their knees after eight. The pages of the Phnom Penh newspapers testify to the alarming murder rate in the capital. Just about every day people are shot dead just for their moped.

Prince Norodom Ranariddh, the senior prime minister, has tired of what he sees as the negative reporting of security in his country. He frequently lectures journalists on comparative crime rates around the world. Violent crime in New York, he asserted recently, was 10,000 times worse than in Cambodia.

But such dubious statistics provide cold comfort to those unfortunate enough to be caught in one of the capital's terrifying regular gun-battles. Last month an attempted motorcycle robbery erupted into a small war outside this correspondent's house in suburban Phnom Penh. It was the third shooting incident in the street in as many weeks.

For 15 minutes, bullets ricocheted off the road and gateposts. A waiting taxi was caught in the gunfire. Its windows were shot out and it was riddled with bullets. Local residents who did not join the fray threw themselves down on their floors. Amazingly no one was hit.

In modern Cambodia, gun law rules: nearly everyone owns one, and to prove it they all fire into the clouds during thunderstorms. After 23 years of civil war, it is a buyers' market when it comes to procuring weapons, ammunition and explosives. Anyone can buy a



A soldier guards a train at Kampot, southern Cambodia, as passengers get aboard through the windows. In rural areas the presence of government soldiers often provokes fear

Kalashnikov assault rifle and a clip of ammunition for \$50 on the black market.

The United Nations peace-keeping mission in Cambodia finished just over a year ago. It was hailed as a success because the UN had supervised elections which installed a democratic government. But the UN failed to deliver on its mandate in one vital area: its peacekeepers did not demobilise the four factions, whose armies were still armed to the teeth.

The Khmer Rouge have returned to the battlefield and remain a threat to national security. But the Royal Cambodian Armed Forces - an amalgamation of the three other factions - are just as dangerous. Unpaid and undisciplined, they roam the countryside, terrorising villagers, extorting money, running protection rackets, robbing, looting and killing.

Last month a report by Mr

John Holloway, the former Australian ambassador to Cambodia, was leaked to the press. In his assessment of the security situation he wrote: "Rural villagers are more scared of government forces than they are of the Khmer Rouge." Few informed observers would disagree.

"Power belongs to those who have guns," says a human rights investigator in Phnom Penh. "The military are predators in this country: 60 to 70 per cent of abuses against the population are committed by the armed forces, but they are outside the law."

Earlier this year, a UN human rights report alleged that the powerful military intelligence bureau was involved in organised crime, contract killing, torture and extrajudicial execution in the north-western province of Battambang. Senior military officers were directly implicated. None of those named in that

language newspaper was shot dead in broad daylight recently as he rode his motorcycle along a busy Phnom Penh street. Local journalists live in fear.

The next day, a car belonging to a UN human rights centre employee was stolen at gunpoint. The employee's five-year-old daughter was abducted and shot in the leg. The centre concluded that the attack was more than a car theft gone wrong. Other human rights groups believe the incident was in reprisal for the centre's report on military abuses in Battambang.

No one has been arrested for either crime. "And no one will be," says a human rights worker. "Because the problem is, they'll say who ordered them to do it." There are rumours that those behind the killings occupy untouchable positions within the political or military hierarchy.

The hands of police investigators might be tied, but the forces of law and order also have a pitiful reputation. The police run protection rackets too and some local residents find they have been mysteriously burgled when they do not pay up. Drunken officers are often trigger-happy too.

Cambodia is one of the poorest countries in the world and the rewards of violent crime are considered worth the risks - which are not so high given that criminals can buy their way out of a murder charge for less than \$3,000. The cost of hiring a contract killer is much less.

As one Cambodian political analyst puts it: "Today we have democracy, a free press and a free market, but people now ask how free we really are."

The Cambodian people - who for successive generations have lived under god kings, military dictators, fanatical Maoists and communists - have been left to conclude that liberty is anarchy.

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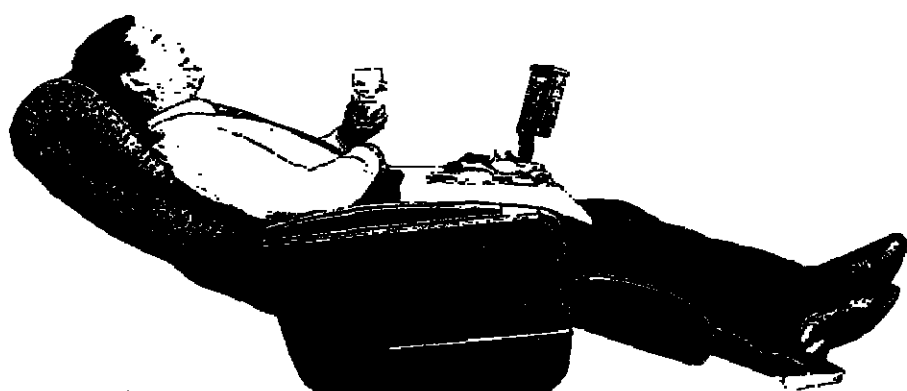
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India aims to curb currency inflows

By Stefan Wagstyl
in New Delhi

India has ordered companies raising funds on international capital markets to keep the money abroad until it is needed for specific projects, in a move designed to curb a huge foreign currency flow into the country.

Groups will also be banned from issuing warrants, instruments which give investors the right to buy shares at a fixed price at a future date, to increase the authorities' control over Euro-issues.

The policy announced at the weekend comes after an unprecedented surge in India's foreign exchange reserves from about \$1bn (\$517m) at the time of the 1991 balance of payments crisis to \$19bn. The inflow has been primarily caused by foreign fund managers investing funds in the Indian stock market and in the overseas stock and bond issues of Indian companies.

While the reserves, covering the cost of nine months' imports, have given India a valuable cushion against shocks in oil and other international markets, the rush of money into India has fuelled domestic inflation.

The annual rate of increases in wholesale prices has fallen from a high of about 11 per cent earlier this year to 9 per cent, but the finance ministry wants it below 7 per cent.

Indian companies, which raised \$1.4bn in the year to March from international equity offerings, have collected a further \$1.1bn in the first six months of the 1994-95 financial year. Applications for issues worth another \$5bn are waiting for government approval.

A finance ministry official said the new rules would enable India to manage its balance of payments more easily. A senior official said the country was importing inflation through the sustained inflow of foreign exchange from Euro-market issues. In future a sudden rush of issues would no longer affect the foreign exchange accounts.

The ministry, which approves issues under guidelines established in May, said companies would be required to submit quarterly audited statements on their Euro-issues and the uses to which the funds were being put. This is to prevent money being diverted for unauthorised purposes such as financial market investment.

As for the ban on warrants, officials said the restriction was being imposed because tight rules had recently been established on the domestic issue of warrants to prevent business families, which control many Indian companies, issuing warrants to themselves at low prices. The ban on overseas warrant issues would prevent companies circumventing the domestic rules, said the officials.

In a separate measure, the ministry relaxed a ban on financial institutions tapping the international markets, giving long-term development banks the right to make issues.

India plans further to ease foreign currency dealing rules and cut more of the red tape that has deterred some foreign investors, Reuters reports from New Delhi. "We may introduce new products for dealers to manage their foreign exchange risk," Mr O.P. Sodhani, executive director of the Reserve Bank of India, said, mentioning cross-currency options as the broad area in which changes were desirable. India switched to market-based foreign exchange dealings in 1992 by making the rupee fully convertible on the trade account under a three-year-old economic reform programme. See capital markets

Wary businessmen welcome Mideast progress

Casablanca talks offer good contacts, but doubts remain. Julian Ozanne and Francis Ghilès report

International businessmen and bankers yesterday lauded recent political and macro-economic changes in the Middle East but delivered a hard-headed assessment of further reforms needed to open economies and stimulate large flows of investment into the region.

While more than 1,000 businessmen have come to the Middle East and North Africa Economic Summit in Casablanca, most are likely to go away with a pile of business cards and the seeds of future investments rather than signed contracts. "We've made some good contacts here, though whether anything will actually transpire only time will tell," said Mr Abraham Glezeman, president of Inter-Power, a US company seeking to develop a power plant in the Gaza Strip. "But it exceeded my expectations."

For most businessmen at the Casablanca casbah, peace moves in the region are a necessary but not sufficient condition for greater investment and better integrated economies. They want further reforms, including speeding up stalled privatisation programmes, removing trade barriers – among them the Arab economic boycott of Israel – abol-

ishing excessive import restrictions and laws which restrict foreign equity holdings, reinforcing intellectual property rights, guaranteeing full repatriation of profits and dividends, granting better tax holidays and ensuring international mechanisms for the resolution of disputes.

Mr Tom Vaughan, a director of Unilever, said: "Most businesses have many places where they can invest their money and they are looking for a business environment of reasonable risks and good returns. It's still too early for specific deals but it's very good to see Arab and Israeli delegations together talking about business, trade and economics."

Mr Sandy Allan, president of Coca-Cola Middle East, said his company had invested \$350m in the region in the past five years and was seeking further expansion: "There are problems but the potential for profitable businesses in the Middle East and North Africa is still excellent."

Some bankers said they were enthusiastic about the strengthening of emerging markets in the Middle East, especially in Morocco, Jordan and Israel. Mr Daniel Smaller of Union Bank of Switzerland's emerging equity markets divi-



King Hassan greets Warren Christopher, US secretary of state, at his palace in Casablanca

sion, said the conference "supports the view that these are exciting markets going through positive changes. For the first time the additional risk of geopolitical instability has been reduced, so price/earnings ratios are expanding, providing investors with opportunities to participate."

However, Sir William Ryrle, executive director of Barings, said that of a total \$62bn of

equity flows into emerging markets last year, only \$200m went to the Middle East. "The peace process slightly improves our type of business," he said. "But the Middle East is way behind the game."

It emerged yesterday the first merchant bank to be set up in North Africa has just received approval from the central bank in Tunis. International Merchant Bank will

have capital of between \$3m and \$5m and brings together individual shareholders from North African countries, institutions like the World Bank's International Finance Corporation which has contributed \$300,000, and two European commercial banks – Société Marseillaise de Crédit and Creditalstalt Finanziaria, the Italian subsidiary of Austria's Creditanstalt Bankverein.

But potential investors in the tourism sector are most likely to leave Casablanca with real deals in their pockets. Unfolding Middle East peace has increased public perceptions of regional stability, opened borders and unlocked the development of multi-destination packages. Delegates are expected to establish a regional tourism promotion and marketing body.

Mr Basil Jordaneh, chairman of Royal Jordanian, Jordan's state-owned airline, said it was adding 20 flights next month.

Mr Peter Till, a vice-president of Marriott, said he was spending time at the conference consolidating a planned project in the Gaza Strip for a hotel with a private Palestinian company. He said Marriott was aggressively seeking opportunities in Israel and looking at other Middle East countries. "We are seeing increased stability and an improved business climate and we want to do more business."

Some companies are concerned about appeals by Israeli and Palestinian leaders for the private sector to alleviate poverty in Palestinian areas. "How do we square this with seeking good returns on investment?" asked Mr Peter Peterson, chairman of the Blackstone

investment bank of the US. The extent of the difficulties ahead for the Middle East in attracting private capital was demonstrated by the absence of Japanese companies. Mr Riki Kogure, head of Middle East division of Itochu, the large trading house, said only 1.2 per cent of total Japanese investment overseas went to the Middle East, largely due to a cultural gap between Arabs and Japanese and the absence of high-level political links.

Japanese and other foreign companies will be critical to financing and executing the multi-billion dollar infrastructure projects being put forward at the summit. Mr Anthony Pellegrini, manager of the World Bank infrastructure unit, said money from domestic budgets and concessional finance was "nowhere near sufficient to deal with the infrastructure needs of the region".

Mr Eberhard von Koerber, president of Asea Brown Boveri, the Swiss-Swedish engineering combine, said the region needed \$80bn over 10 years to meet basic power generation needs alone and warned: "If the regulatory environment does not allow capital to make adequate returns, then we have to be very cautious."

Bakhtiar murder trial starts in Paris

By John Riddling in Paris

The alleged assassins of Iran's former prime minister, Mr Shabbour Bakhtiar, will go on trial in Paris tomorrow in a case which is likely to further strain relations between France and Iran.

The trial will focus on whether Mr Bakhtiar, the last prime minister of the late Shah of Iran, was killed on the orders of Tehran's Islamic government. Three Iranians, including a relative of Mr Ali Akbar Hashemi Rafsanjani, the country's president, will answer charges for the 1991 assassination. Six others will be charged in absentia.

The Iranian government has denied any involvement in the killing, which was one of dozens of assassinations of opponents of the Tehran regime over the past decade. But Mr Jean-Louis Bruguière, a senior investigating judge, claims that Iran's secret services were involved in the crime.

The French government has implemented tight security at the Palais de Justice, where the trial will take place. The case, to be heard by seven magistrates, is expected to last about a month.

Relations between France and Iran have been damaged by Tehran's support for Moslem fundamentalists seeking the overthrow of the military-backed regime in Algeria, a former French colony, and by a French crackdown on Islamic fundamentalism.

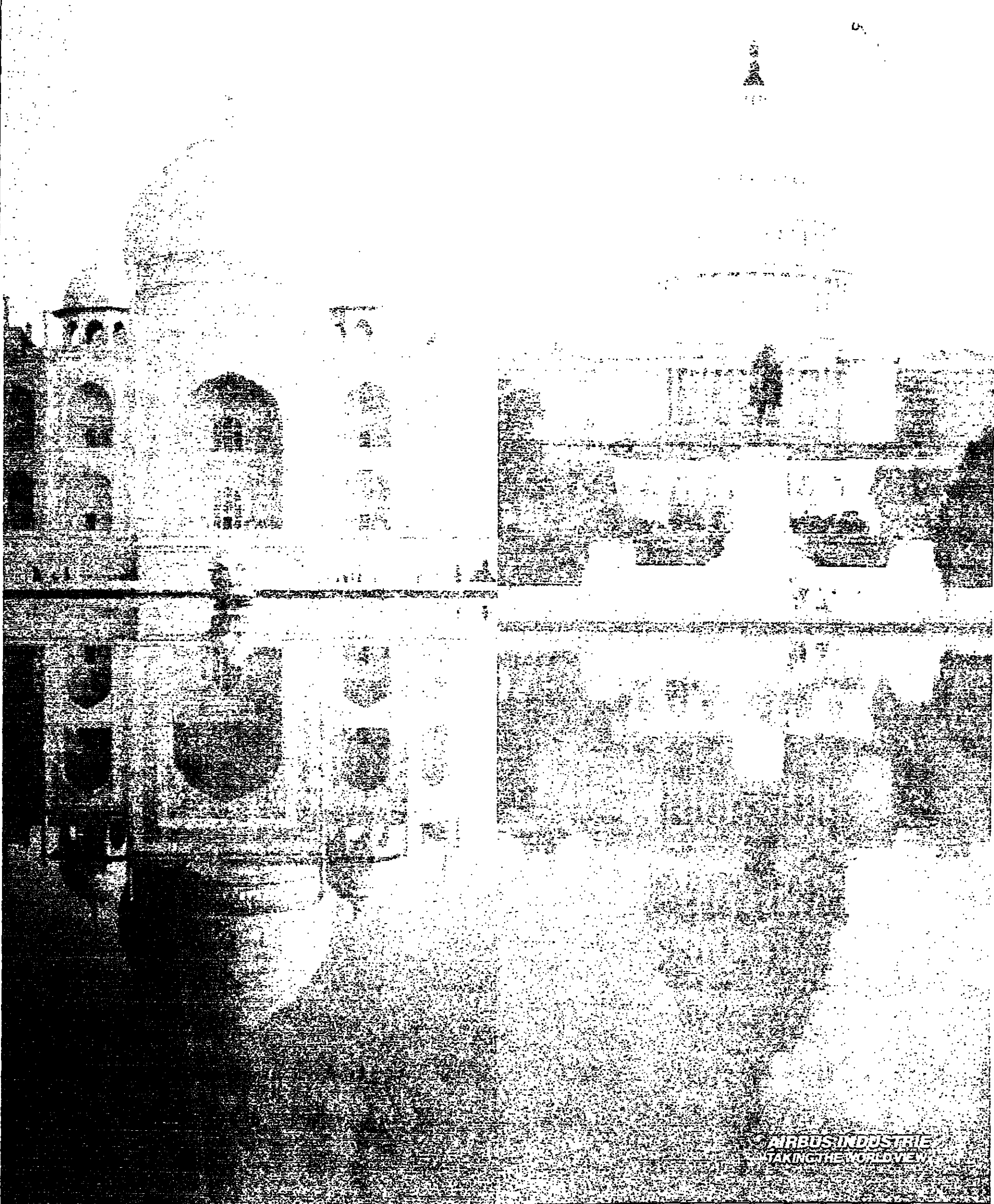
Following the assassination of five French nationals in Algeria in August, the French interior ministry introduced sweeping stop-and-search operations and interned 26 suspected Moslem militants. Last week the government said it would enforce a ban on wearing Islamic headscarves in secular state schools.

Twenty-five students have been expelled from French schools for wearing headscarves. Mr François Bayrou, the education minister, said he had ordered schools to bar "ostentatious religious symbols" and said there were few alternatives to expulsion when persuasion failed.

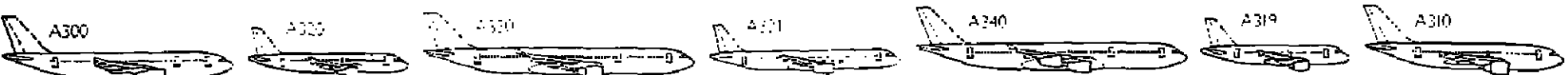
The move has brought an angry reaction from Iran and from other Islamic countries.

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SEE PAGE 13

NEWS: UK

Pressure for compromise on Post Office sell-off

By Kevin Brown,
Political Correspondent

Mr Kenneth Clarke, UK chancellor, is under pressure from senior ministers to accept compromise proposals for Post Office commercialisation within the public sector.

They hope to agree a plan in time for a bill to be included in the Queen's speech on November 16 setting out the government's legislative programme for the coming parliamentary session.

The cabinet's industry committee is expected to meet tomorrow to decide how to give the Post Office greater freedom without risking defeat at the hands of backbench Conservative rebels opposed to privatisation.

Ministers hope the cabinet will on Thursday be able to approve a partial sale. But a decision may be put off until Thursday next week if the committee fails to thrash out a compromise.

Mr John Major is understood to

have told ministers that, if necessary, the Post Office bill could be held back from the Queen's speech and introduced later in the parliamentary session.

Mr Michael Heseltine, trade and industry secretary, remains committed to the sale of 51 per cent of the Post Office, which he believes would send a powerful signal of the government's continuing commitment to economic reform.

But the government's business managers have warned ministers

that privatisation would be opposed by up to eight Tory backbenchers, implying certain defeat for the bill unless some of the nine Ulster Unionist MPs abstained.

Mr Heseltine will meet the rebels tonight in a final effort to persuade them that fears for the future of rural post offices and the universal pricing system have been overstated.

The compromise proposals focus on the sale of a minority shareholding combined with freedom from government borrowing controls.

Such a structure would keep the Post Office in the public sector while satisfying management demands for greater freedom to compete.

There is substantial support for a compromise among senior ministers, many of whom doubt the wisdom of risking a parliamentary defeat in pursuit of privatisation. However, the option of commercial freedom within the public sector has been vigorously opposed by Mr Clarke on the grounds that state-owned companies cannot be excluded from the

public sector borrowing requirement.

Other compromises being discussed include a phased sale of a majority holding, which would give ministers time to convince backbenchers that privatisation need not threaten rural services.

Rebel backbenchers said they would vote for a minority sale. "My main concern is to keep the Royal Mail in the public sector," said Mr Stephen Day, Conservative MP for Cheadle.

EU backs £176m assistance for region

By Ian Hamilton Fozzy,
Northern Correspondent

A £176m (\$278m) package of European Union and UK public and private sector spending on 730 projects to start reviving the flagging Merseyside economy will be announced by the British government today.

More than 400 projects in the deprived region of north-west England were rejected.

The money opens a £160m programme over six years, underpinned by £630m of EU grants under Objective One status. This entitles Merseyside to special help because its output per head is less than 75 per cent of the EU average.

The £176m - made up of £75m each from the European Commission and UK public sector and £26m from industry and commerce - will go to providing 25,000 training places, 3,900 new jobs and 341,000 sq ft of modern industrial space, as well as preparing 291 acres of land for development.

The EU grants are split 56 per cent-44 per cent between regional development and social funds, a marked shift from government proposals earlier this year which would have used most of the money for social purposes, mainly training. The Commission thought not enough was being done to create jobs.

Projects include: ● A £43m programme to improve industrial estates and £3m for the port of Liverpool. ● A grant of £1m will help fund an initial £2.78m campaign by a partnership of local authorities, universities, colleges, industry and commerce to improve Merseyside's poor national and international image. ● More than £4m will be spent on an area of Liverpool city centre blighted for more than 20 years by aborted property development schemes. ● Nearly £2.5m will improve the A565 trunk road linking Liverpool, the docks at Bootle and the coastal commuter towns of Crosby, Formby and Southport.

Milk price rises after industry shake-up

Deregulation of the UK milk market has already hit consumers with an increase of 2p (3c) per pint in some doorstep deliveries yesterday and a similar rise today in some supermarkets, Alison Maitland writes.

Tesco, the supermarket group, announced that a pint of fresh milk would go up by 2p, or 7.7 per cent, to 28p because of the rise in the cost of raw milk resulting from the marketing arrangements which take effect today.

It said it would keep cheese price increases to 5 per cent in spite of a 20 per cent rise in wholesale milk prices to cheese makers.

British cheddar will rise shortly by 10p a pound to £2.05 and butter by about 8p a pound in a few weeks.

Tesco blamed the increase on "inflationary pressures" caused by the new marketing system, which replaces the statutory Milk Marketing Board with a voluntary producers' co-operative, Milk Marque.

The British government argues that the new system will lead to a shake-out of excess capacity devoted to low-value commodity products such as butter and skimmed milk powder. This will create a more efficient industry and benefit consumers by reducing Britain's reliance on high value-added dairy imports, it says.

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Engineers from English Heritage and contractors John Mowlem Construction yesterday started work on the £14m restoration of the 19th century Albert Memorial in Kensington Gardens, central London. The centrepiece is an 18ft statue of the Prince Consort.

IRA accused on road checkpoints

Sir Patrick Mayhew, the senior UK minister responsible for Northern Ireland, called yesterday for an urgent police report amid claims that armed and masked members of the Irish Republican Army mounted checkpoints on roads in the city of Londonderry over the weekend. Sir Patrick said he viewed the claims "extremely seriously".

He gave the firm impression that the results of the police investigation, and continuing IRA punishment attacks in nationalist areas of Northern Ireland, could have a bearing

on whether preliminary talks between UK government officials and the Sinn Féin party - the political wing of the IRA - start before Christmas.

There were several reports to police on Friday and Saturday

The stock exchange and the headquarters of the Lloyd's insurance market were among potential London targets for an IRA bombing campaign planned for earlier this year, a jury at the Central Criminal Court was told yesterday. Lists of military, political and economic targets were found written on cigarette papers inside the wallet of a college lecturer, a senior government law officer stated. A plea of not guilty to plotting to cause an explosion was entered on behalf of Mr Feilix O'Donnell, aged 35, of Accrington, Lancashire.

night that armed and masked men claiming to be from the IRA set up checkpoints and stopped motorists.

Mr Martin McGuinness, a senior member of the executive of Sinn Féin, claimed that the

actions were "Hallowe'en pranks". Police said they verified reports of masked men stopping motorists, but only one anonymous report that they were armed.

EU foreign ministers yesterday approved a £12m rise for the International Fund for Ireland over the next three years, taking the total to £48m.

The increase was proposed by EU Commission President Jacques Delors soon after the IRA ceasefire and nodded through by the ministers meeting in Luxembourg. Euro-MPs must now give their go-ahead.

Fayed attacks minister again

By Robert Peston

Mr Mohamed Fayed yesterday renewed his onslaught on Mr Jonathan Aitken, a junior minister at the Treasury, by alleging that there were "discrepancies" in Mr Aitken's account of how he settled his Fr8010.90 bill for a weekend at the Ritz Hotel in Paris.

Mr Aitken last week faced allegations that he had allowed a businessman, Mr Said Ayas, to pay just under half the cost of his stay, without declaring this alleged gift.

He then attempted to defuse the allegations by saying that the bill had been settled in full, but in two stages. An initial payment of Fr4257.00 in cash had been made by his wife, who had not been staying with him at the Ritz, when Mr Aitken checked out of the hotel.

She had paid less than the full Fr8010.90 because of a billing error, Mr Aitken said. The balance was then settled by Mr Ayas, to whose hotel bill the costs of Mr Aitken's stay had been transferred.

Mr Aitken said that once he realised that his wife had paid too little, he paid Mr Ayas what he owed him.

However, Mr Fayed, who owns the Ritz and is conducting a campaign to destabilise the government, yesterday attempted to pick holes in Mr Aitken's explanation in two respects.

He said he had checked with the cashier at the Ritz and had been told that the "brunette lady" who settled Mr Ayas's bill with a cheque for

Fr117,008 "was the same person who paid the cash sum Mr Aitken says was paid by his wife".

This "brunette lady" also said to the cashier that she had been paying "other bills at the George V and the Intercontinental". Mr Fayed continued: "Unless Mrs Aitken was also paying the other cheques to the other hotels, the brunette in question was working on Mr Ayas' staff".

Mr Michael Cole, speaking for Mr Fayed, said there were also peculiarities about the documentation Mr Aitken had produced as evidence that he had paid the balance to Mr Ayas.

Last Friday, Mr Aitken reproduced copies of a cheque for £426.88, roughly the amount owed, which was made out to Mr Abdul Rahman, an associate of Mr Ayas.

However the details on the cheque did not appear to be a perfect match with details on Mr Rahman's bank statement, which was reproduced in the Daily Mail last Saturday.

The statement of Mr Rahman's account at the Arab Bank (Switzerland) says that a cheque "du 31.3.94" was paid in to Mr Rahman's account. This seems to imply that the cheque was dated "31.3.94", though Mr Aitken's cheque is in fact dated "21.2.1994".

The statement also apparently says that the amount deposited was £426.80 - though the final "0" is unclear on the reproduction - compared with the £426.88 of the cheque.

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NEWS: UK

Banks criticise EU capital directive

By Norma Cohen,
Investments Correspondent

Leading investment banks in the City of London fear that a European Union directive aimed at cushioning securities firms against shocks in the financial system will force them to hold more capital than their competitors in other countries.

They are asking the Treasury to interpret the Capital Adequacy Directive, which takes effect in January 1996, in a manner which will allow some firms to hold less capital than that required by Brussels.

"These issues are particularly acute for London given the nature of the business here," said Mr Kit Farrow, direc-

tor-general of the London Investment Banking Association, whose members are the City's biggest firms. "It is in the UK where the trading activity is more developed. Even Continental banks tend to run their trading books out of London," he said. "It may not be very difficult for them to book the business elsewhere rather than in London."

London firms have been particularly critical of the CAD, which they claim reflects a political compromise between member states where securities industries vary greatly. It is understood to have been heavily influenced by the German universal banks which typically have much more capital than is required by regulators and which do not take large trading positions. "It's

like trying to devise a set of traffic laws for countries with high-performance sports cars and those which only use bicycles," said the finance director at one investment bank.

The CAD says that the "trading book" of an investment bank should be separated from the "banking book" with a more liberal regime applying to the former. However, current UK rules do not make any such distinction, but view the risk activities of investment banks in their entirety.

In particular, the London Investment Banking Association is concerned about CAD rules which, unlike those now applied by UK securities regulators, do not lower the capital requirements for firms with diversified portfolios. Also,

the CAD does not reduce capital requirements for holding securities which offset each other's risks. The association will today receive a boost from publication of a Bank of England quarterly report highly critical of the CAD. The Bank (the central bank) will release its own interpretation of how the CAD will apply to securities activities of banks at the end of November.

Mr Dale argues that "the idea of segregating one part of a bank's business - its securities trading operations - and applying separate and distinct definitions of capital and capital adequacy to the different parts, appears to make little prudential sense."

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Bonuses give strong boost to directors' pay

By Robert Taylor,
Labour Correspondent

Britain's top company directors are continuing to enjoy earnings rises substantially higher than either the rate of inflation or the increases awarded to their employees, says a survey published today.

The number of UK companies where the chief executive earns more than £1m (£1.58m) a year doubled from eight to 16 in the past 12 months, according to the study by Monks Partnership, the independent remuneration adviser.

It found that the highest-paid directors in the country's biggest industrial companies - with annual turnovers of more than £400m - secured 3.0 per cent median earnings rises, three times the level of rises received by the employed workforce as a whole.

While the best-paid chief executives in the financial sector enjoyed total median earnings increases worth 7.3 per cent, rises of 5.5 per cent were recorded for top directors in companies in industry and commerce, taking their remuneration from £130,000 to £137,000 a year.

The survey points out that the rate of increase in executive pay in the industrial sec-

tor has slowed to its lowest for five years. More than a quarter of commercial and industrial best-paid directors received no rise at all - on the other hand the top quarter enjoyed total earnings improvements worth at least 12.9 per cent.

The growth in executive pay reflects an increase in bonus payments. In companies with annual turnovers of more than £400m these amounted to rises of 4.1 per cent. In enterprises with turnovers £30m and £100m they were 1.1 per cent.

Bonus payments make up an average 15 per cent of fixed pay and contribute just over 15 per cent to the earnings of the best-paid directors. In the finance sector they amount to 22.4 per cent of fixed pay. The survey reveals wide differences in executive earnings increases between industrial sectors.

The biggest earnings growth has been in the retail and distribution sector with a 9.1 per cent improvement in earnings (8.0 per cent in fixed pay plus 3.1 per cent from bonuses) followed by electrical engineering and electronics with 8.4 per cent and leisure and services with 7.7 per cent.

The smallest earnings rises were found in the building materials and construction, where top executives averaged only 2.7 per cent increases.

BT to cut personnel staff

British Telecommunications is cutting its 4,000-strong personnel staff by nearly 50 per cent, our Labour Editor writes. The heaviest cuts will be in the areas of training and general administration. Some less specialist training functions will be contracted out to outside training providers, and line managers will take on far more personnel functions.

Under the reorganisation, which the company has named Break-out, BT departments are required to test what they are contributing to the company and assess whether it would be better contracted out.

"We thought for a long time that we should be able to run at about half of our current size," said Mr Peter Archer, head of personnel at BT. "We then had extensive discussions with our internal customers about what they wanted from us and what they were prepared to pay for, and we have decided that a cut of between 40 and 50 per cent is about appropriate."

He said that specialist training would remain in-house but "generic" training such as welding or computer skills could be done more effectively by external trainers.

The personnel function has

played a leading role in the overall reduction in BT's employee numbers from 230,000 in 1990 to 148,000 now. The company has said it will seek to avoid compulsory redundancies, and has so far done so.

BT has said that it is keen to retain national rules on principal issues such as pay and redundancy procedures, but union officials say that there is a growing tension between the centre and the divisions. "There will be some tension but I think it is generally a healthy one," said Mr Archer. "The personnel function may have been too dominant in some areas."

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The personnel function has

Rover workers accept 10.7%

Workers at the Rover car company have voted narrowly to accept a pay deal that will give most of them a rise of 10.7 per cent over the next two years, union officials announced yesterday, our Labour Correspondent writes.

The vote in a postal ballot was 11,993 to 11,102 for a package seen by many observers as over-generous and a dangerous pointer for pay claims elsewhere.

The unease reflected by the result seems likely to add to wage pressures at the UK factories of Nissan and Peugeot-Talbot, which are about to negotiate deals with their

Unions and management at the Jaguar car company, a Ford subsidiary, believe that a strike can be avoided even though a ballot is being held among workers who have rejected an offer of a 7.5 per cent pay rise over two years. Further talks will be held about the offer before the ballot result is declared.

employees. "The closeness of the result reflects the complexity of the deal and the frustration among the workforce still undergoing major changes," said Mr Tony Woodley, national officer for the car

industry with the Transport and General Workers' Union. An official at Rover, an offshoot of BMW of Germany, said the company "welcomed" the result.

The deal provides a 3.7 per cent general pay increase from next month and either a further 4 per cent in November next year or an amount equivalent to the rate of inflation, if that is higher. But most Rover workers will gain extra pay as a result of changes in grading. Unions have calculated that this will produce increases of about 55 (£7.90) a week in the first year and a further £1.86 a week in the second.

UK NEWS DIGEST

Inflationary pressures gather pace

Further signs of UK inflationary pressures yesterday increased speculation that Mr Eddie George, governor of the Bank of England (the central bank), will argue tomorrow for an increase in base rates when he meets Mr Kenneth Clarke, the chancellor of the Exchequer. Expectations of a rate rise helped sterling climb against the dollar and the D-Mark, with the pound reaching its highest level on a trade-weighted basis since the end of February.

Two economic indicators published yesterday - the narrow measure of money supply (M0) and the purchasing managers' index - appeared to point to an inflationary build-up. M0 grew at 7.3 per cent in the 12 months to October, its fastest annual rate since January 1989, while a survey of purchasing managers found that 50.4 per cent said they paid higher prices for their manufacturing purchases in October.

Both measures have previously been cited by the Bank of England as cause for concern. When Mr George met Mr Clarke to discuss rates early in September, the governor cited the purchasing managers' survey as an argument for increasing rates. The chancellor subsequently raised base rates from 5.25 per cent to 5.75 per cent.

The Bank's latest inflation report will be published today and will be scrutinised for further clues to the likely future path of interest rates. The governor has argued in recent speeches that the bond markets are overestimating the potential for a rise in inflation. "There are relatively few immediate signs that inflation is about to pick up strongly" he said last week.

Hospital agreement

Health Care International, the private hospital near Glasgow in Scotland which last month encountered a financial crisis only three months after opening, yesterday announced agreements with two Middle Eastern governments on providing medical services. It has agreed terms for giving medical treatment in Scotland to employees of the Egyptian defence ministry and their dependants. It has also signed a contract with Lebanon's health ministry for treating Lebanese citizens. The contracts come as the company continues to talk with banks and investors on recapitalisation.

Drug tests for soldiers

All British soldiers will face random drug tests from the middle of next month in a drive against growing drug abuse in the army. The move would bring the British army into line with US forces. "Drug abuse is on the increase in society generally," said a defence ministry official. "As we recruit from society, it is inevitable that our concern should consequently increase."

Until now tests have been given only to people suspected of taking drugs. Drug abuse by a soldier could lead to a prison sentence and dismissal from the service. Officials said random testing would eventually be extended to the Royal Navy and Royal Air Force.

Two men aged 25 and 26 appeared in court yesterday accused of attempting to murder two unarmed undercover policemen shot during a crack cocaine raid in Birmingham last week. They were also charged with carrying a firearm with intent to commit an offence. A third man aged 24 was accused of supplying crack cocaine and possessing herbal cannabis. The two policemen were still in hospital yesterday.

Further construction of out-of-town shopping centres and superstores should be restricted to protect the landscape, the House of Commons environment committee will recommend today. Its proposals will mark a further attack on large developments in the countryside which encourage greater use of cars.

They will follow last week's report by the Royal Commission on Environmental Pollution which recommended a doubling of petrol tax and halving of spending on new roads in a bid to avoid unacceptable levels of environmental damage. The environment committee will call for stronger curbs on out-of-town developments which damage the environment and take trade away from town centres.

It recommends that government planning guidance should be amended "to include a presumption that superstores are best located in or on the edge of town centres unless there are very strong indications to the contrary." This would go further than government advice to town planning authorities in July.

Lecturers under stress

College lecturers are being driven to the verge of nervous breakdowns by stress and overwork, said the National Association of Teachers in Further and Higher Education, a trade union. "Overworked stressed-out staff cannot deliver the education students deserve and their future employers need," said Mr Derek Betts, the union's head of policy.

He was commenting on research by the National Foundation for Educational Research which pointed to mounting pressure, with nearly eight out of 10 lecturers feeling they were working under unacceptable stress levels. One in four lecturers surveyed said they had taken time off for stress-related illness. Most blamed new styles of administration and excessive workloads.

Scottish exports rise

Manufactured exports from Scotland rose 19 per cent at current prices in the 1993-94 financial year to reach \$11.5bn (\$18.2bn), accounting for 10.3 per cent of the UK's manufactured exports. Exports by Scotland's large electronics sector grew 41.5 per cent while whisky exports rose 7 per cent and exceeded £2m for the first time. Scotland's single biggest export market was France, replacing Germany which held that position in the previous year.

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MANAGEMENT: THE GROWING BUSINESS



The cheque's in the wild excuse

You have heard of the excuse that the cheque's in the post. But what about "the cheque's in the gulf"?

Pressed for payment, one South Wales engineering firm told the insolvent caller from a factoring service that its invoices and cheque books had been eaten by a goat that had climbed into the building.

The story comes from Barclays Commercial Services, the factoring and invoice discounting subsidiary of Barclays Bank, from a list of imaginative excuses offered it in 30 years of collecting payments.

Other evasions included "my managing director is sheeling down our building for charity, can he call back tomorrow?" and "I'm sorry no one can help you, the accounts department are on a credit control course".

Then there were the calls indicating all was not well: "I'm sorry, the finance director has taken the cheque book to pay the bill of the sales director."

The most outlandish excuse came from an independent financial adviser who claimed that "the building was ram-raided last night and our accounts records are under a Ford Cortina in the front office".

Price of turning green

The British Chambers of Commerce estimates that businesses with up to 50 employees are spending up to £1.85m a year between them complying with environmental legislation. These costs are not being offset by efficiency savings, according to Richard Brown, deputy director-general of the BCC.

The estimate is drawn from a survey which shows that smaller companies are turning greener because of legislation rather than market pressure.

*Environment - The View of the Small Firm, from the British Chambers of Commerce. Tel 011 222 1555, price £60.

When Robin Enderby was phoned by the Department of Trade & Industry to ask if his company would take part in a pilot programme intended to encourage innovation, he was sceptical.

"I detest red tape, bureaucracy, planning departments, consultants and banks," says Enderby, chairman of Blow Moulding Controls, a Gloucestershire manufacturing company employing nearly 50 people and with annual sales of £5m. "I was very reluctant to get involved - I was the last guy in the world who wanted to know about it."

The DTI called Doug Ponsford, persuaded him that a company could be transformed by the programme's method of managing continual and incremental change. In consequence, Enderby's company was one of 13 in Gloucestershire to participate in the pilot. Profit from innovation, funded by the county's training and enterprise council at a cost of nearly £50,000.

At a DTI-sponsored seminar in Cheltenham last month, Blow Moulding Controls and five other companies reported back in such positive terms that the Tec, probably in conjunction with two other south-west Tec's, will fund another programme this month. It will also discuss teaching more trainers to expand the regional coverage, and the DTI innovation unit will shortly consider promoting the programme to Tec's on a national basis.

The subject of the enthusiasm is essentially a simple concept. It aims to improve a company's competitiveness by involving its staff in identifying the need for innovation, and then in implementing the necessary changes. It was developed by Clive Jones of Mantra, an innovation management expert, and Paul Ryan of the consultancy Business Logistics. Jones told the seminar: "In too many companies, change is an announcement from the managing director. As from tomorrow..."

The programme consists of six sessions to teach techniques to senior managers on how to run staff workshops, followed by support visits to the company. A "driver" in each workshop encourages a flow of ideas to identify threats and opportunities, while a "scribe" uses flip charts to record these and also keeps discipline.

Techniques include asking people to list all conceivable faults of a product, and then stimulating suggestions for putting these right. Another approach is to forecast "super-tankers" - such as social changes affecting a market - and "blockbusters" - described by Jones as "a supertanker that comes in a hurry".

All this sounds sensible but is it effective? Enderby said the package "seemed to build down to one massive questioning technique". It had



Derek Morris, chairman of DM Foundries: 'We're plagued by consultants who think they know it all. But we were amazed'

All change at the factory

A DTI project to encourage innovation surprised companies with its success, writes Roland Adburgham

decreased his business's quality problems and increased profitability.

"By involving all the workforce, we had guys coming forward with lots of ideas - some of them very good." One outcome was that his company had rethought its US marketing strategy.

Derek Morris, chairman of DM Foundries, with 25 staff and a turnover of nearly £1m, had been as dubious as Enderby. "We're plagued by consultants who think they know it all. But we were amazed."

His foundry worked in a difficult environment, in which many customers had gone bust, and staff thought they were used to problem-solving. But the workforce came up with "tremendous" suggestions. In one example the cause of a rapid production drop in one section was resolved.

A.T. Poeton, an engineering company with 100 employees and £3.5m sales, also suffered in the recession. "We made considerable efforts to find new customers but we didn't do so fast enough," Anthony Poeton, managing director, says. "Turnover dropped as did the profit to sales ratio." The package had made a tremendous difference. New markets had been identified and profit

to sales improved.

In contrast, success caused difficulties at Invertec, which makes transport lighting equipment. Charles Valentine, managing director, said its sales of £3m were up 100 per cent in two years. "The main problem hit us earlier this year when our order book exploded and we weren't ready for it."

Invertec found the programme "incredibly useful", he said. The company realised it had poor communications with its customers and internally. "We needed to listen to what the shopfloor and junior management were saying. I used to have a plaque in my office saying: 'As managing director I'm entitled to my bigoted opinions.' I now listen to people and have thrown the plaque away."

One identified weakness was that Invertec's information technology was "woefully poor". The company was now investing in an integrated software package. The "super-tanker" technique had helped to analyse other issues such as the impact of transport air conditioning on its products.

Brian Bennett, managing director of Plaster International, a recycling company with 35 people and a £5m

turnover, said it too had rapidly expanded. When his telephone call came from Ponsford, he said: "I felt we didn't have time, and would it really benefit us." But in the workshops, he said, there were "staggering comments".

The management discovered, for example, that staff did not feel motivated by the bonus scheme - and did not understand the business. "The techniques improved our ability to identify problems and make decisions." Productivity had risen and there was a different attitude by both management and shopfloor.

Enderby voiced one concern, shared by others, about how to maintain the initial enthusiasm. Jones acknowledged not all companies gained equally - for example, when management tried to institute big changes first, rather than small changes where employees could see immediate results.

The attitude of the workforce was crucial. "Some took to the programme immediately," he said, "but a lot were very very suspicious and almost hostile. But once we started and the ice was broken, it went very well."

Richard Gourlay on the start of an umbrella advice organisation Business Link for London

Greater London's 200,000 businesses are about to get their own Business Link organisation after more than a year of acrimonious turf battles between the agencies supposedly supporting them. To be precise, the capital is likely to be getting 10 Business Links.

On November 23, a national assessment panel will review the first bid, for Business Link London, which will act like its counterparts in England and Wales as a one-stop shop providing advice and support services. Business Link London will act as an umbrella over nine local Business Links throughout the capital.

The case for a unified Business Link system bringing together the myriad support agencies in the capital was forcefully articulated last week by Earl Ferrers, the new minister for small businesses.

"In London there are 33 chambers of commerce, 26 local enterprise agencies, nine training and enterprise councils, 22 local authorities and all the DTI support services," Lord Ferrers told the London Chamber. "All of that can be pretty daunting to a humble minister and one wonders if it is not pretty daunting to the customers too."

These "customers" have not been uppermost in the minds of all support networks as they shaped Business Link London. The partnership has been fashioned against the wishes of a number of chambers of commerce, fearful they might lose members and their status d'États. And some Tec's are only on board after the DTI wielded a stick and refused to let them provide their support services independent of a Business Link organisation.

One of the philosophical debates concerned whether London's Business Links should be helping regenerate economically depressed areas, as some local authorities wanted. Brian Wright, chief executive of the London Enterprise Agency, says the opposite view has prevailed - that Business Links should be concerned with supporting businesses with growth potential. Irrespective of which organisations wither and which

adapt, London's businesses should have a clearer idea where to turn for advice by next July when Business Link London hopes to open its doors.

As the proposals currently stand, the London-wide organisation will have responsibility for those support areas where local duplication would not be cost effective. So, the Business Link London will look after information services and the new information technology network which will require extensive investment. Specialised services, such as export support, will also be organised centrally.

At the local level, the Business Links will look after the personal business advisers who visit companies, assess their needs and refer the businesses to a specialist. These local operations will also develop local specialities - a knowledge of the rag trade in the east of London, for instance.

David Grayson, chairman of the national assessment panel for Business Links, believes London's businesses will finally receive the kind of customer-focused service they require if they are to be internationally competitive. One area that might suffer in Business Link's new world are start-up companies and other micro-businesses, while there will be exceptions, the Business Links network is targeting businesses with 10-90 employees.

Wright agrees this is potentially a problem. But he believes these companies can be served by Local Enterprise Agencies.

This may be possible for organisations such as the London Enterprise Agency, which are partly funded by private-sector sponsors and have freedom to decide which start-ups to support. But many Enterprise Agencies are dependent on funding from the government's Enterprise Initiative programme and as a result mainly support businesses started by the unemployed.

From next year, the budget for this initiative will disappear into the government's new single regeneration budget for inner cities. Enterprise Agencies recognise their start-up support programmes may receive meagre rations from this pot.

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- approx. van units sold: 200 retail, 400 fleet
- approx. Annual T/o £33.3 million.

Gales of Diss

- Vauxhall Dealership
- freehold property
- established local customer base
- approx. car units sold: 300 retail, 450 used
- approx. Annual T/o £7.7 million.

Gales of Wymondham

- Seddon Atkinson Distributors
- Bedford Services and Parts Dealer
- Fiat LDV dealership
- truck servicing and new/used sales
- leasehold property
- established regional customer base
- approx. Annual T/o £1.8 million.

Master Vehicle Contracts

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- established regional customer base
- leasehold property
- approx. Annual T/o £7.2 million.

For further information, please contact Jonathan Sisson or Stephen Oakfield of Coopers & Lybrand, The Atrium, St Georges Street, Norwich NR3 1AG. Telephone: (0603) 615244. Fax: (0603) 631080.

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- For further details, please contact Jonathan Sisson or James Martin of Coopers & Lybrand, The Atrium, St Georges Street, Norwich NR3 1AG. Telephone: (0603) 615244. Fax: (0603) 631080.

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For further information, please write to David Stokes of Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET. Telephone: (0114) 272 9141. Fax: (0114) 259 8202, or contact Nigel Bedford of the Company's premises on telephone (0114) 258 1878.

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Sally Ltd L/A Thorns Catering Equipment Hire

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Please address all enquiries to Adrian Howlett of Coopers & Lybrand, Hillgate House, 28 Old Bailey, London EC4M 7PL. Telephone: (071) 583 5000. Fax: (071) 212 6800.

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KPMG Corporate Finance is a trading name of KPMG Peat Marwick, which is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

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For further information contact the Joint Administrative Receiver, Nick McLoughlin, KPMG Peat Marwick, St. Nicholas House, 31 Park Row, Nottingham NG1 6FQ. Tel: 0115 935 3535 Fax: 0115 935 3500.

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BUSINESS AND THE LAW

Court rejects tractor appeals



EUROPEAN COURT

The Court of First Instance has dismissed the appeals of three tractor manufacturers against a 1992 European Commission decision condemning the UK Agricultural Tractor Registration Exchange agreement.

The Commission said exchange of information on tractor registrations infringed Treaty of Rome competition rules, because it resulted in an exchange of information identifying sales of individual competitors, dealer sales and imports.

The agreement concerned an information system based on UK Department of Transport tractor registration data. In the UK, all vehicles must be registered for use on public roads. Systematic International (SIL), a data processing company responsible for processing and handling registration application forms for the department, was permitted to send certain information to the parties to the agreement.

The Commission said the information sent to members of the agreement could be divided into three categories:

- Aggregate industry information, including aggregate industry sales broken down by year, quarter, month or week;
- Information on each member's sales, including number of units sold by each manufacturer and market share for various geographical areas; and
- Information concerning sales made by dealers in each member's distribution network, in particular imports and exports in their respective territories.

Until September 1988, parties to the agreement received part of the registration application forms filed by independent importers from SIL. Thereafter, the Commission said they continued to receive sufficient information to enable parallel imports from other member countries to be identified, mainly through the use of tractor serial numbers. Dealer territories could be identified because the registration procedure required customer postcodes to be given and the manufacturers defined territories by postcode.

The eight aggregate companies had about 87.88 per cent of the UK

tractor market, the Commission said. It refused exemption from the competition rules largely because the information exchange system did not benefit consumers but exclusively suppliers.

The Commission claimed it had never accepted either that exchanges of recent and detailed information were indispensable to achieve the commercial objectives of the members of the agreement or that such exchanges offer advantages, in particular for third parties, which would compensate for their restrictive effects on competition.

The CFI rejected the tractor manufacturers' arguments that the agreement did not restrict competition or affect trade between member countries and, if it did, it should have been exempted.

The Court said the provision of the information to all suppliers joining the system presupposed an agreement, or a tacit agreement, between the parties to define the boundaries of dealer sales territories by reference to the UK postcode system, as well as an institutional framework enabling information to be exchanged between the parties through their trade association (Agricultural Engineers Association).

The Commission's decision was the first time it had prohibited an information exchange system concerning a single-product market in the absence of directly related anti-competitive conduct, such as price fixing. However, the CFI confirmed the Commission had applied the same criteria it always applied.

The CFI agreed with the Commission that in a narrow oligopolistic market, where four companies had a dominant market share, the exchange of confidential information restricted the hidden competition which would otherwise exist in such a market and formed a barrier to new market entrants.

T-94 and T-35/92, *Flataghi UK, Ford New Holland and John Deere v Commission*, CFI 202, October 27 1994.

BRICK COURT CHAMBERS, BRUSSELS

For many of the top commercial law firms the recent recession had little impact on gross revenues. That has been particularly true for firms with strong insolvency, banking and internationally based practices. Inevitably, however, the economic downturn threw up its fair share of casualties on both sides of the Atlantic. Some firms' troubles were more public than others. In the US, Boston's Gaston & Snow went to the wall. In the UK, DJ Freeman was one of the first to acknowledge publicly that it had financial problems - difficulties which, by all accounts, are now behind it.

For others the pain is not yet over. Much has been written about the problems of City law firm Turner Kenneth Brown and its failure to clinch a merger with Alsop Wilkinson. And in the US last month, Lord Day & Lord Barrett Smith, one of New York's oldest law firms, dissolved its partnership. Rumours continue to circulate in London about the precarious financial health of several well-known City law firms. But although many firms were open about laying off staff during the recession, few are prepared to follow DJ Freeman's example and acknowledge financial difficulties in public.

That is understandable, says Mr Christopher Honeyman Brown of accountants Binder Hamlyn. "There is tremendous prejudice against professionals unable to manage their affairs, to the extent that they get into a money muddle. Accountants would certainly be discredited. Lawyers probably also," he says.

Fear of publicity also appears to have prevented many firms from confronting their financial difficulties and attempting to restructure. "People do tend to bury their heads in the sand, especially partnerships with problems. They just hope they will go away," says Mr Steve Hill of accountants Coopers & Lybrand.

Part of the reason why partnerships in financial trouble prefer to soldier on rather than confront their problems is that, until now, they have had little incentive to restructure.

When the 1986 Insolvency Act introduced new rescue procedures for companies and individuals, partnerships were left out. But this gap, long criticised by insolvency practitioners, is about to be filled.

On December 1, the Insolvent Partnerships Order 1994 will extend the rescue culture to partnerships, allowing those in financial difficulty to make use of voluntary arrangements and administration orders for the first time.

Under the old rules, an insolvent partnership could only be liquidated compulsorily or wound up by the partners' trustee in bankruptcy.

Pain-saving incentives

Robert Rice on the latest insolvency rules for partnerships



Therefore, partnership rescues that have taken place tended to be through the use of serial individual voluntary arrangements (IVAs) for the partners.

Under an IVA, any individual owing money can propose a scheme to their creditors to pay off their debts in whole or in part. For a voluntary arrangement to be accepted, 75 per cent by value of the creditors need to agree to it.

This procedure has been used successfully for some partnerships, says Mr Hill. Serial IVAs were used for the partners of the London and Oxford branches of UK accountants Halpern & Woolf, now merged with Casson Beckman. But in general they are too cumbersome for all but the smallest partnerships.

"The Halpern & Woolf case would probably have been easier, cheaper and smoother under the new system," he says.

According to Mr Chris Hughes, head of Coopers' insolvency practice, the new law will make it easier to help medium and large partnerships, allowing some to survive which would not have done so before. It will aid professional partnerships such as solicitors, accountants and estate agents, where the

main asset of the business is the ability to earn future profits. Such businesses are worth far more alive than dead, Mr Hughes says.

But he adds the courts should allow the use of IVAs for small partnerships to continue, rather than force insolvency practitioners to use the panoply of corporate procedures for the husband-and-wife corner shop. That would be costly and of no benefit to creditors, he says.

Mr Hughes is also concerned by the Department of Trade and Industry's insistence that partnerships should be treated in exactly the same way as companies, so far as is possible. An administration order - an interim arrangement to give a company protection from its creditors while it reorganises (often combined with a voluntary arrangement whereby creditors agree to compromise their claims) - does not provide any protection for individual shareholders.

By implication, orders against partnerships will not provide any protection for partners either. But he says, shareholders do not need protection, as they are not personally responsible for the companies'

debts. Partners are, however. The other big change concerns the ranking of creditors. For more than 200 years, when a partnership has gone into liquidation or bankruptcy, each partner's private creditors have to be paid in full before any of their assets can be used to meet partnership debts.

From December 1, as recommended by the Cork Committee as long ago as 1982, the deficit in a partnership will now be a claim in each partner's own bankruptcy, and rank equally with the partner's private creditors.

Mr Hill says the effect of this change could be dramatic and private creditors may no longer get paid in full. "It means the local plumber is going to have a lower chance of getting paid if he deals with a businessman who is in partnership than he would if he dealt with a similar businessman who is a company director," he says.

So the new rule will favour creditors of the business over those of individual partners. But, Mr Hill says, that may be the incentive needed to keep the business alive. In the case of solicitors, where banks and landlords tend to be the main creditors, it may help to persuade banks not to pull the plug on financially troubled law firms.

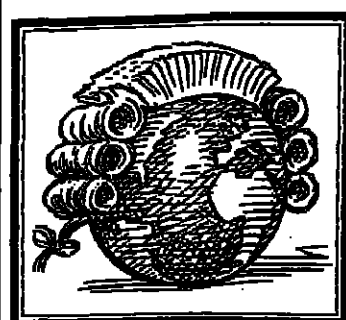
Will the new procedures work or be much used? If they give a partnership with a viable underlying business time to cut out dead wood, tighten cash management and present itself as a suitable candidate for merger, then they could prove valuable, says Mr Honeyman Brown.

Mr Hill says it is difficult to gauge how much use will be made of the new rules. Insolvency practitioners are aware of several professional firms still in some difficulty, so if the new procedures get positive results, "we may find, by demonstrating we have more strings to our bow, that we encourage some partnerships to confront their financial problems and use the new procedures to restructure."

Others are not so convinced. Mr Alan Perry, a partner of DJ Freeman, says that any whisper of insolvency in a professional firm in the past has tended to lead to the rapid collapse of the business. "Apart from isolated cases, I think the jury is still out on whether, and in what circumstances, a substantial professional partnership could go through an administration or a voluntary arrangement and survive," Mr Perry says.

There is also the hint that, with the recession over, the timing of the introduction of the new rules smacks of shutting the stable door after the horse has bolted. Mr Hill is not sure that matters. "There's definitely less insolvency about. But that gives us plenty of time to debug it before the next downturn."

LEGAL BRIEFS



Canary Wharf to appeal against TV reception ruling

Canary Wharf, the London Docklands development company, is to appeal against a High Court ruling earlier this year in an action brought by a group of Docklands residents claiming damages for interference with television reception.

Canary Wharf maintains that interference with television reception should not be an actionable nuisance under English law. If the ruling is allowed to stand it could result in similar actions against existing developments, and could threaten urban regeneration and city-centre developments, the company says.

It says interference with television reception is analogous with loss of view, citing an 1881 case that there is no right to a view under English law otherwise "there could be no great towns".

Higher salaries

Salaries for assistant solicitors in London have risen strongly, according to legal recruitment consultants Quarry Douglas. For firms with more than 25 partners, solicitors qualified for four years can earn up to £52,000 a year and those qualified for eight years, £58,500.

Solicitors' PR

The Solicitors Trust, a new solicitors' network, formed in association with Brevin Dolphin Bell Lawrie, the UK private client stockbroker, is to spend £10,000 a week on a national press advertising campaign to drum up business for its members.

The network, which will be restricted to 200 firms, each operating within an exclusive geographical area, will concentrate on personal finance planning, general management of clients' investment portfolios and stockbroking.

PEOPLE

Pru picks Sir Martin from its board

The Prudential Corporation, the UK's largest life insurer and biggest investment institution, is expected to announce shortly that Sir Martin Jacob, one of the City's best-connected merchant bankers, will take over as its non-executive chairman following next May's annual general meeting.

The expected choice of Sir Martin, chairman of Postel Investment Management and a director of the Bank of England, means that the Prudential is reverting to its traditional habit of picking a chairman from its outside non-executive directors. Sir Brian Corby, 65, the current chairman, is unusual in that he joined the Pru in 1982 and worked his way up to be group chief executive, before becoming chairman in 1990. Sir Brian's two predecessors were Lord Hunt of Tamworth, a former Cabinet Office secretary, and Lord Carr, who had been

Sir Edward Heath's Home Secretary in the early 1970s.

Although Sir Martin, who turns 65 next week, is a more traditional type of insurance company chairman, he differs from his predecessors at the Pru in having strong ties with the City. He worked as a barrister before joining Kleinwort Benson in 1968 where he rose to be vice-chairman and was often regarded as a contender for the chairman's post.

In 1985 he quit the family-dominated merchant bank and was appointed a deputy chairman of Barclays Bank. He was the first chairman of Barclays de Zeeuw and is credited with making BZW one of the more successful merchant banking operations of the big clearing banks.

When he took on the chairmanship of the British Council in 1982 there was speculation that Sir Martin was preparing to bow out of City life slowly.



He stepped down as deputy chairman of both Barclays Bank and Commercial Union at the end of last year and his term as a Bank of England director expires at the end of next February.

However, he joined the board of the Pru last March and retains a clutch of non-executive directorships which include Marks and Spencer, RTZ, and The Telegraph. He also took on the chairmanship of Delta last year and was last week appointed to the Nolan committee set up to examine standards of conduct in public life. (See Observer)

Non-executive directors



Paddy Linaker (above), former managing director and deputy chairman of M&G, the City fund manager, is taking over as non-executive chairman of Fisons as from yesterday.

He replaces Patrick Egan, 64, executive chairman, who in March signalled his intention to step down and was known to have been keen to step down as soon as a replacement was in place.

Stuart Wallis, 48, the chief executive since September, takes over executive control of the company. His predecessor, Cedric Scroggs, was sacked in December and the company since shed jobs and sold off some businesses.

Fisons says the changes are taking place with immedi-

ate effect because "the hand-over to Wallis has gone exceptionally smoothly".

Linaker, 60, joined the Fisons board in July as a non-executive director after he left M&G. He is also a non-executive director of the TSB Group.

■ Basil Sellers has resigned from GESTETNER HOLDINGS.

■ Stephen Barclay at UPTON & SOUTHERN; Alan Jones has resigned.

■ Janet Cohen, a director of Charterhouse Bank, The Yorkshire Building Society, and BPP Holdings, at JOHN WADDINGTON.

■ Robert Wade, chairman of Leeds Group, at LEEDS & HOLBECK BUILDING SOCIETY; Olav Arnold has retired.

■ Paul Baddley, former finance director, at the HOLLAS GROUP.

■ Sir William Gray and David Peart at HARTLEPOOL WATER COMPANY; Laurence Bridgewater has retired.

■ Moby Aminuddin Rouse, Freddie Pang Hock Cheng and Tan Kim Poh at ROSSMONT.

■ Sir Wilfrid Newton, former chairman and chief executive of London Regional Transport, at MAUNSELL.

■ David Appleby at TREATT, from which he has taken early retirement as manufacturing director.

■ Ian Bankier, a former senior partner of McGrigor Donald, at STAKES.

■ Felda Hardyman, a partner of Bessemer Venture Partners, at LBMS.

■ Guy Whalley has resigned from HIGGS & HILL.

■ Sir Russell Fairgrieve, a post chairman of the Scottish Conservative Party, as chairman of BAIN HOGG in Scotland and Northern Ireland.

■ Ian Hartigan, retired md of BP Shipping, at BABCOCK INTERNATIONAL GROUP.

■ David Wydenback, retired deputy chairman of BACS, at Active (COMPUTER SERVICES).

■ Tom Drake, chairman of Drakes International, at TANK INDUSTRIES.

■ David Michaels, chief executive of Stakis, at ABERFORTH SPLIT LEVEL TRUST.

■ Harry Westropp, chairman of Britton Group, as chairman at ABACUS GROUP on the retirement of Peter Grundy.

■ Ron Mason at M&P Group.

■ John Ward, chairman of CBI (Scotland) and a former director of IBM's Havant plant, at CALLUNA.

■ Barry Dale, chairman of The Littlewoods Organisation, at TRIPLE LLOYD.

■ Gerald Leahy, director general of the Association of Corporate Treasurers, at DAIWA EUROPE BANK.

Bodies politic

On the day that the new Coal Authority took over from British Coal the responsibility for owning and licensing Britain's coal assets, the government announced who the Authority's members are to be.

They include Roy Lynk, the former president of the breakaway Union of Democratic Mineworkers from 1987 to 1993, who was himself a coal-face worker for nearly 30 years. Others are Leslie Rendell, the retiring director of planning and transport of Warwickshire County Council, Tom Slee, the finance director of Pittencrieff Resources, an Edinburgh-based oil and gas company, John Cunliffe, a former senior legal adviser within The Royal Dutch/Shell Group of Companies, and Eric Hassall, a qualified chartered engineer who is currently chairman of Wardell Armstrong, mining consultants.

The Mansfield-based authority is headed by Sir David White, the chairman of Mansfield Breweries.

■ Malcolm Argent of British Telecom; Tom Holloboe of the International Association of Underwater Engineering Contractors; David Jones of the National Grid; Anthony McGrath of Baring Brothers; Roderick Paul of Severn Trent Water; Sue Rogers of the British Aerosol Manufacturers' Association; Jeffrey Rose of the RAC; Ian Spratling of Wolf Steel; Simon Wilkinson of the London Stock Exchange; and Phillip Wright of Sheffield Forgemasters have joined the national council of the CONFEDERATION OF BRITISH INDUSTRY.

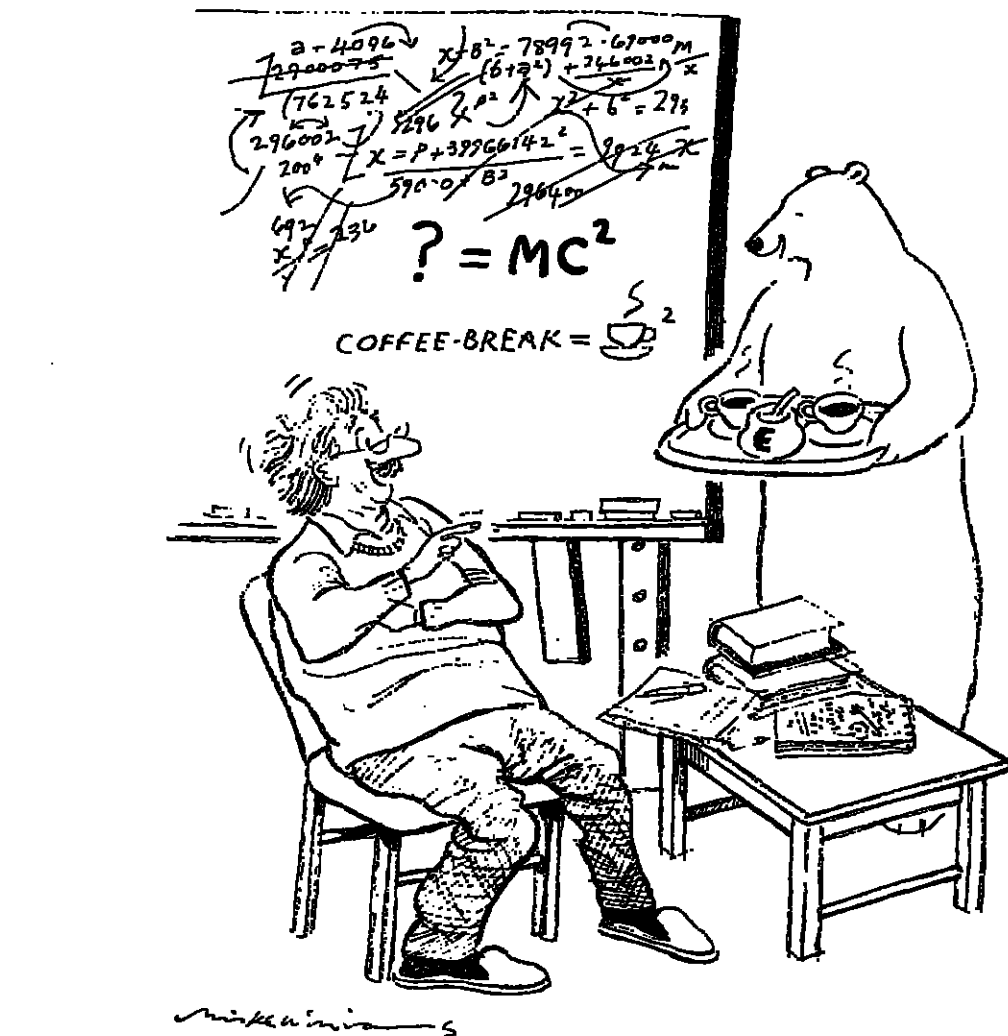
■ Hugh Cade, senior partner of the leisure consultancy of Touche Ross, has been appointed chairman of FOODSERVICE CONSULTANTS SOCIETY INTERNATIONAL in Europe.

■ Peter Davis, chairman of Reed International, has been appointed a trustee of the VICTORIA AND ALBERT MUSEUM.

■ Stephen McQuillan, formerly regional controller in Bristol for the Department of the Environment, has been appointed director of the government office for DEVON AND CORNWALL.

■ Graham Negus, a director of Ken Negus, has been appointed chairman of the STONE CLEANING AND SURFACE REPAIR Committee of the Stone Federation of Great Britain.

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The Romantic spirit revisited

Opportunities have been missed in this rehang of German art, writes William Packer

There is usually nothing more tedious than to review a show twice, for all that it might be currently the most brilliant thing in the world. But there are exceptions, especially in those cases where doubts or questions were raised by the initial experience. *Autres temps, autres musées*: a show rehang is in many senses a new show, and to give such a one the benefit of those doubts is no bad thing. I first saw *The Romantic Spirit in German Art 1790-1890* at Edinburgh in the summer, and found it something less than the sum of its parts, fascinating and beautiful though many of those parts undoubtedly were. It was a case, I felt, of curatorial ambition overreaching itself. Two hundred years' worth of any nation's art would be a problem enough in the simplest chronological presentation, let alone in the sustained exposition of a dense and complex argument. What a brave idea it was and, in the event, what a frustrated opportunity.

The move from the grand and ample Classical spaces of the Royal Scottish Academy to the more tortuous and constricted plan of London's Hayward Gallery, was bound to entail a certain concentration of material and trimming down. Would it bring with it a refocusing of the show's essential rationale, and with it a more comprehensive and integrated view of the subject as a whole? Not at all.

Too late, of course, to expect that any of the more obvious and inexplicable gaps would now be plugged (we knew there was to be no Beckmann, no Schöndorff, no Hubert, no Corbitt, no Mennel) but surely some of the more obvious and direct comparisons across the period, which the very premise of the exhibition invites, would now be made - Beuys with Klee, Dix and Radtke with

Rethel, Baselitz with von Marées and Bocklin, the Bauhaus practice with the early theorists of Goethe and Runge. Not a bit. But scholars and curators are stubborn beasts, for whom any *idea fixe* is *idea fixe*. The bare fact is that not a single concession has been made, in terms of editing or reconsideration, in what was manifestly the weakest part of the Edinburgh showing. There the work of the last 30 years, represented by a mere six artists, was shown apart in the Fruitmarket Gallery. At the Hayward these same six have been given the entire mezzanine and the entrance gallery, which must amount to nearly 30 per cent of the area available for exhibitions. Small wonder then that what else has been left out.

What this says of the judgment and priorities of the organisers shouts for itself. It is but the current orthodoxy that a room-size sculptural installation by a Beuys or Polke must take precedence over any other consideration, even in so historical a context as this. I would only say that the showing on a sensible scale, and in a proper context, of Beuys, Kiefer and Baselitz, would have been entirely justifiable. As it is they stand with their three fellows as eloquent in their gentle melancholy, to the abstracted, lively refinement of the Beuys drawings at the end. The run of early 19th century self-portraits and small paintings - Janssen stripped to the waist, Friedrich's wife leaning out of

the window, Kersting's pretty "wreath-maker" sitting beneath the trees - is a delight.

And what does all this tell us of the romantic spirit in German art in all this time? That there was ever a soulful yearning for the ineffable, the unreachable, the sublime? That the fond quest for purity and perfection took with it, too, a more doubtful sense of destiny and foreboding? That in the dark night of the soul, darker and more troublesome spirits walk abroad - Bocklin's shaggy unicorn deep in the forest, Dix's ravens that tumble from the winter sky? What quite does the nymph fear, in von Marées' painting, from the horseman who turns away to pluck the fruit from the dark tree?

Such questions are proposed, but no answers offered. Some paintings of the Nazi period are shown, but only a few, a mere gesture towards a subject that by now requires proper treatment. Controversy flared briefly on the matter, as though by Friedrich's noble yearners we might see that the enormities of Hitlerian barbarism were inevitable. Nonsense, of course, in any particular sense, but more general questions remain. What, if indeed it exists at all, is this peculiar quality of national sensibility, this soulful, contradictory agonising and self-searching that distinguishes the German from the *Romantik* of other kinds? This exhibition, over-ambitious yet stretched as it is so thin, does little more than ask.

The Romantic Spirit in German Art 1790-1890: the Hayward Gallery, South Bank Centre, London SE1, until Jan 1. Many thanks to the Haus der Kunst, Munich; sponsored by Deutsche Bank, Siemens and Urecon, with assistance from Luftansa: part of the South Bank's *Deutsche Romantik* Festival.



Yearning: 'The Woman with the Spider's Web', woodcut 1801 by Christian Friedrich after C.D. Friedrich

Recital

How to play second fiddle

Disarmingly, the great Itzhak Perlman's Barbican recital on Thursday began not with a solo violin sonata, but with a keyboard sonata, with violin accompaniment. That was Mozart's K.286 in C, from the transition-period in the late 1780s when composers were starting to imagine that a single violin might actually do more than just accompany a harpsichord or piano.

It might have made too tame a start, or have seemed at best a relaxed way for Perlman to play himself in. The recital was quite different. The violin's role is indeed subordinate to the piano's, and with the admirable Bruno Canino at the latter instrument there was not the slightest chance that it would dwindle against his "uncompromising". But Perlman gave us a miraculous object-lesson in how to play second fiddle: never oversteering, always answering to the pianist - but rewarding him with the most subtle and richly varied responses, even in the mostly 3-note descent of the Andante and his scrabbling, clucking accompaniment in the Rondo.

The sonata acquired vital depths and breadth beyond anything one expected. As it turned out, the real partner-sonatas that followed - Faure's op. 13, his First, and Poulenc's only one - were less well balanced, though entirely engaging. Perlman was faultlessly stylish and easy; Canino, whose pianism is quick, light-fingered and very sparing with the damper-pedal (which Poulenc loved to excess), seemed appreciative but distinctly spidery. There is as much *slow vital* in Faure's sonata as in the famous First Piano by Liszt, and Perlman here, we missed any real thrust from the bottom of the keyboard, and therefore some of the sonata's radiant, important drive.

There was still plenty of art as also in the Poulenc. The composer aimed to write something that would do justice to Ginette Neven's tigris-powers, but tigrisdom was never in his nature, and Neven had to be content (we don't know whether she was, but Poulenc himself was dissatisfied) with his racy, mercurial operetta-style in the outer movements, and measured sentiment in the Intermezzo. Though Canino was again too wary to allow full resonance to the piano-sound, everything he did was impeccably pointed - and Perlman devoted himself to realising the exact character of every movement, rather than exploiting their virtuosic potential.

On paper the programme looked short, and it was. Perlman was reserving a surprise, however: after the Poulenc, without much feinting, he launched briskly into five more-size pieces - evergreen Sarasate, Kreisler and Heifetz, haunting Faure and Stravinsky (the *Berceuse* and the *Le Chant du rossignol*). We had to be delighted, and were almost satisfied.

David Murray

Concert/Richard Fairman

British fanfare for Beethoven

Under orders to help promote new music, the London orchestras have each come up with their own solution. The Philharmonia has introduced a series entitled "Music of Today" timed at 6pm before the evening's concert - a clever idea, as it can draw on a captive audience while leaving the orchestra free to programme the standard classics in its main concerts.

So far the new music seems to have been concentrated on week-ends. On Saturday a reasonable number of Beethoven-lovers, gathering for the start of the symphony cycle that night, was attracted to the earlier event: three short pieces by British composers all in their mid-30s. An opening fanfare was provided by James MacMillan. Then came Mark-Anthony Turnage's jazzy romp, *Release*, and Steve Martland's *Shoulder to shoulder*, a more disciplined exercise in post-Stravinskian rhythmic battery. Each was a useful thumb-nail sketch of its creator, though not more.

None of them will have stolen the thunder from Nikolaus Harnoncourt's Beethoven cycle, which started its two-week journey that evening. For the Philharmonia, which went down in history as the orchestra that marked the Beethoven bicentenary with a symphony cycle under the revered Otto Klemperer, this was quite a jump.

On the face of it Harnoncourt is the antithesis of everything Klemperer stood for: a former standard-bearer of the "authentic" brigade, tireless in overturning accepted ideas, controversial, dynamic. His Beethoven with the Chamber Orchestra of Europe, both live here in London and on record, has made a name for itself with its drive and clarity. Teamed with the full-size Philharmonia, Harnoncourt is able to replicate the drive, but the clarity does not come so easily.

The First Symphony opened with two unexpectedly thick-sounding, heavy movements. Then the scherzo and finale exploded with energy. "Authentic" Beethoven conductors -

especially Norrington - have found a Haydn-like humour in this early symphony, but as far as Harnoncourt is concerned, Beethoven bursts forth fully-formed, a tempestuous symphonic composer heading for battle.

The "Eroica" is more Harnoncourt's piece. He relishes its determination to fight until the issues are resolved. Some of the climaxes reached a high pitch of intensity. Although there were rough patches of playing, one can imagine Harnoncourt in rehearsal, knowing exactly what he wants and going over every passage until he has stamped his authority on each note. His Beethoven is entirely his own, which should make the rest of this cycle one to recommend. In that respect he is as worthy a successor to Klemperer as the Philharmonia could have found.

Beethoven symphony cycle at the Royal Festival Hall in London and Symphony Hall in Birmingham until November 13.

Recital/John Allison

Olga Borodina sings Tchaikovsky

Olga Borodina's all-Tchaikovsky programme at the Wigmore Hall on Thursday launched the Maryinsky-Kirov series of recitals that will run there until the middle of next year. Like the parallel Royal Philharmonic Orchestra-Maryinsky series, also under the artistic directorship of the Kirov's chief, Valery Gergiev, it is a celebration of St Petersburg's cultural heritage, past and present.

On Thursday the "present" was personified by Borodina, who along with the soprano Galina Gorchakova (to appear later in the series) is a leading lady of the Kirov Opera. In the space of a few years she has established herself as one of the most exciting mezzo sopranos around today, not only in the Russian repertoire in which she excels as her recent *Concerntolas* at Covent Garden testified, she is not an artist to be pigeon-holed.

Borodina possesses an individuality of voice all too rare among her contemporaries. The sheer beauty of her tone was enough to hold the full

house rapt, in spite of the relatively unvaried programme. She has the burnished Slavonic glint that distinguishes Russian singers, but nothing of the "edge" that can detract from some of them: she also boasts admirable dynamic control, with wispy pianissimos and reserves of power.

Even so, the first part of her recital was a little short on communication: perhaps she was relying too much on the lustre of her voice, but the dark and wonderfully ingenuous sequence of songs needed greater definition. "None but the lonely heart" - the most famous Russian song, ironically a translation from Goethe - cried out for legato phrasing: even when notes were joined, Borodina did not always seem to be thinking in long lines. Legato in her first encore, Pauline's aria from *The Queen of Spades*.

There was more variety to the second half of Borodina's programme - virtually a repeat of the mezzo's recent recital disc for Philips - and she found the mood of each number,

helped by the flexible, fluent accompaniments of Semyon Skigin (replacing the announced Larissa Gergieva). The "Gipsy girl's" song was sultry, "Gentle stars were shining for us" evocative; she caught the burning emotion of "The first meeting" and the eroticism of "The sun has set". Borodina put her all into the concluding "Agnus, as before, I am alone" - Tchaikovsky's last song, whose haunting strains reveal almost as much about the composer's mental state during his final months as does the whole of the *Pathétique* Symphony. Performances of this stature make the case for Tchaikovsky as a major song composer, one which unfortunately still needs arguing. His output of over 100 songs is undeserving of its continuing and condescending neglect.

The Maryinsky-Kirov Series, sponsored by the Regent Hotel, London and British Airways (St Petersburg), continues with recitals by Valentina Sedipova (November 16) and Irina Arkhipova (November 24).

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Concertgebouw Tonight: Mendelssohn's *Elijah*. Tomorrow, Fri (Kleine Zaal): Meixos Quartet plays string quartets by Haydn, Janacek and Dvorak. Thurs evening, Sat and Sun afternoons: John Eliot Gardiner conducts Royal Concertgebouw Orchestra and Chorus in works by Debussy, Kurtág, Bartók and Kodály. Thurs, Sat (Kleine Zaal): Vermeer Quartet. Fri: Hubert Soudant conducts the Brabant Orchestra in Brahms, Bruch and Beethoven. Thurs evening: Andrew Lloyd Webber's *Requiem*. Sun evening: Ivo Pogorelich piano recital (24-hour information service 020-675 4411 ticket reservations 020-671 8345). Beurs van Berlage Tomorrow, Thurs: Jac van Sten conducts Netherlands Philharmonic Orchestra in works by Pärt and Ravel, with piano soloist. Thurs evening: Brabant Orchestra in Brahms, Bruch and Beethoven. Thurs evening: Ivo Pogorelich piano recital (24-hour information service 020-675 4411 ticket reservations 020-671 8345). Beurs van Berlage Tomorrow, Thurs: Jac van Sten conducts Netherlands Philharmonic Orchestra in works by Pärt and Ravel, with piano soloist. Thurs evening: Brabant Orchestra in Brahms, Bruch and Beethoven. Thurs evening: Ivo Pogorelich piano recital (24-hour information service 020-675 4411 ticket reservations 020-671 8345).

quartets by Bartók, Beethoven and Debussy (020-627 0468). Muziektheater Tomorrow: Netherlands Opera gives world premiere of Louis Andriessen's new opera *Rosa*, with scenario and production by Peter Greenaway, and cast headed by Lyndon Terracini, Marie Angel and Roger Smets (repeated Nov 5, 8, 11, 14, 17, 20, 22, 25 and 28). Thurs, Fri: Jean Cocteau's film *Beauty and the Beast* with live accompaniment by the Philip Glass Ensemble (020-625 5455).

BASLE

Stadtcasino Tomorrow, Thurs: Ronald Zollman conducts Basle Symphony Orchestra in works by Liszt, D'Albert and Musorgsky. Ravel, with cello soloist Antonio Meneses. Sun: Christian Zacharias piano recital (061-272 1176).

BRUSSELS

Palais des Beaux Arts Thurs: Maria Josee Pires piano recital. Fri: Yuri Simonov conducts Belgian National Orchestra in works by Rakhmaninov, Prokofiev and Beethoven (02-507 8200).

CHICAGO

Lyric Opera Mirella Freni and Plácido Domingo star in Giordano's *Fedora* tonight (repeated on Fri, next Mon and Thurs with José Cura in the tenor role). This month's repertoire also includes *Il barbiere di Siviglia* with Frederica von Stade, and *Rockwell Blake*, *Capriccio* with Felicity Lott and *Cambridge* directed

by Harold Prince (312-332 2244). Chicago Symphony The next concert is on Nov 10, 11 and 12, when Lawrence Foster conducts works by Lindroth, Beethoven and Enescu (312-435 6666).

THEATRE

● The Sisters Rosensweig: the national touring production of Wendy Wasserstein's hit Broadway comedy about the mid-life reunion of three Jewish sisters from Brooklyn. Final week (Shubert 312-902 1500).

● Angels in America: Tony Kushner's two-part epic is directed by Michael Mayer, with Jonathan Hadary as Roy Cohn (Royal George 312-988 9000).

● The Winter's Tale: Shakespeare Repertory has the Chicago market cornered on productions of the Bard's works. Artistic director Barbara Gaines has a go at his late romance (Shakespeare Repertory 312-642 2273).

● Laughter on the 23rd Floor: Neil Simon's newest comedy, about the golden days of live TV comedy, is currently enjoying an open-ended run (Erie Street 312-348 4000).

GENEVA

Grand Théâtre The Bartered Bride opens next Mon for six performances. *Elijah* Moshinsky's ENO production has been restaged by David Ritch and will be conducted by Bohumil Gregor. The cast is headed by Valerín Prokai, Gwynne Geyer and Kristin Sigmundsson (022-311 2311).

THE HAGUE

Dr Anton Philipsaal Tomorrow: Netherlands Wind Ensemble plays works by Mozart and Kuri. Sat evening, Sun afternoon: Leonid Grin conducts Hague Philharmonic Orchestra in Bruch and Dvorak, with violin soloist Yayoi Toda. Next Mon: Ivo Pogorelich piano recital (070-360 9810).

ROTTERDAM

De Doelen Tonight: Vermeer Quartet. Tomorrow: Yevgeny Svetlanov conducts Russian State Symphony Orchestra in works by Liszt, Tchaikovsky and Shostakovich. Thurs: Ivo Pogorelich piano recital. Fri: Yoel Levi conducts Rotterdam Philharmonic Orchestra in Weber, Hindemith and Brahms, with piano soloist Emanuel Ax. Sat: Carlo Domeniconi guitar recital. Mon: Domestimento Consort plays baroque and early music (010-217 1717).

VIENNA

● Riccardo Muti conducts Roberto de Simone's production of *Costi fan tutte* at Theater an der Wien tonight. Thurs, Sat, next Mon, Wed and Fri. The cast features Barbara Fritoli, Vesselin Kassarova, Cecilia Bartoli, Michael Schade, Boje Skovhus and Alessandro Corbelli. The State Opera is closed for technical alterations till Dec 14 (58885). ● Neville Martin conducts the Academy of St Martin in the Fields and Vienna Singverein in Beethoven's *Missa Solemnis* tonight at the Musikverein. The soloists include Jean Pigby and Anthony

Rolfe Johnson. This week's concert programme also includes recitals by pianist Andrii Gavrilov, the Cleveland Quartet and tenor Dean von der Welt (505 8190).

● Vienna's contemporary music festival, *Wien Modern*, runs till Nov 28, with daily performances at a variety of venues around the city. This year's featured composers are Morton Feldman, George Crumb, Helmut Lachenmann, Karl Schiske and Günter Kahnewitz. Claudio Abbado conducts an orchestral concert on Sun, including a Kurtág world premiere (7124 6860). ● Giorgio Strehler directs a new Burgtheater production of Pirandello's *The Mountain Giants*, opening Nov 15 (514440).

WASHINGTON

KENNEDY CENTER ● This week's National Symphony concerts are conducted by Marin Alsop and Zdenek Macal. Alsop conducts tonight's programme of Schumann and Tchaikovsky, with cello soloist Gustav Ravinius. Macal conducts Rands, Mozart and Beethoven on Thurs, Fri, Sat and next Tues, with piano soloist Alexander Paley (202-467 4600). ● Washington Ballet gives performances tomorrow, Thurs, Fri and Sun afternoon. The programme consists of choreographies by Balanchine, Goh and Lustig (202-467 4600). ● Washington Opera opens its new season on Sat with Gounod's *Faust*, with Jianyi Zhang in the title role and Jeffrey Wells as Mephistopheles (repeated Nov 10, 13, 15, 18, 21 and 25). The second

production is *Le nozze di Figaro*, opening Nov 12 (202-467 4600).

THEATRE

● Old Times: Washington Stage Guild presents Harold Pinter's play about power within relationships. Till Nov 20 (202-529 2064). ● Duet: Ohio Baker's play about what might have happened if Sarah Bernhardt had met Eleanor Duse. This week only at Folger Shakespeare Library (703-549 0002). ● Henry IV: an adaptation of Parts I and II of Shakespeare's history plays. A Shakespeare Theater production at the Lansburgh. Final week (202-393 2700). ● Artificial Jungle: the last play written by Charles Ludlam is a hilarious spoof on marriage in jeopardy. Opens next Mon at Woolly Mammoth Theater (202-393 3939).

ZURICH

Opernhaus The main event this week is the revival on Fri of Gounod's *Roméo et Juliette*, conducted by Serge Baudo and staged by Bernard Uzan, with a cast headed by Isabelle Ray and Francisco Araiza (repeated Nov 6, 9, 11, 17, 20). Ruth Berghaus' production of *Katya Kabanova* receives its final performances on Thurs and Sat, with cast headed by Ana Pusic and Peter Straka. The Zurich Ballet presents choreographies by Ek, Biebert and Van Manen on Sun, and Alben Berg Quartet gives a recital next Mon (01-282 0909). Tonhalle Wolfgang Holzmair gives a song recital tonight (01-281 1600).

ARTS GUIDE

Monday: Berlin, New York and Paris. Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington. Wednesday: France, Germany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

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MONDAY NBC/Super Channel: FT Reports 1230.

TUESDAY EuroNews: FT Reports 0745, 1315, 1545, 1815, 2245

WEDNESDAY NBC/Super Channel: FT Reports 1230

FRIDAY NBC/Super Channel: FT Reports 1230 Sky News: FT Reports 0230, 2030

SUNDAY NBC/Super Channel: FT Reports 2230 Sky News: FT Reports 0430, 1730.

هكذا من الاص



UK politicians have recently begun debating the economic theory of "endogenous growth". For a visiting economist from the US, it is hard to know which side in the discussion to prefer.

The Labour party's shadow chancellor, Gordon Brown, seems serious in his attempts to understand and apply the idea. However, he uses it in a confused way to rationalise government intervention in the economy.

On the government side, chancellor Kenneth Clarke dwells on the funny sound of endogenous growth and depicts it as some sort of economic bubble that he need not try to understand. I suppose if it really were "indigenous growth", as he recently joked, he would be correct.

With some tamer, I venture to explain the origins of endogenous growth and its relation to the older neoclassical theory of economic growth.

The neoclassical model, developed in the 1950s and 1960s, assumed that technological change was needed if growth of income per head were to be sustained in the long run. Without it, growth would slow as the returns on capital such as machines, buildings or skills diminished.

The rate of technological progress, however, could not be explained by the theory, so it was treated as an exogenous influence. This was not as a matter of principle but because the necessary theoretical advances had not been made. As a consequence, the economy's long-run growth rate was exogenous: the theory could not explain what drove it.

There was a role in the neoclassical model for investment and government policy in stimulating economic growth. Growth can be increased for a long time by more investment and better policies such as lower marginal tax rates, more productive infrastructure, better enforcement of laws and contracts, price stability. But in the very long run, the neoclassical theory cannot explain what drives growth.

In the late 1980s, Paul Romer, an economist at the University of California at Berkeley, came up with a theory that appeared to explain the factors behind technological advance. He postulated that it was commercial research and development which led to the discovery and adoption of new technologies, products and

Party politics of growth



Brown (left) and Clarke: debating endogenous growth theory

ideas. By explaining the rate of technological progress in economic terms, the factors behind a country's long-run growth rate were endogenous, contained within the model.

A crucial element in technological progress in this theory was the reward given to innovators. In the absence of some prize, would-be entrepreneurs have no incentive to carry out costly and often unsuccessful research projects. Typically, the reward is a temporary period of monopoly power, during which a new product or the fruits of an improved technology can be priced above the competitive level.

This process is clear for pharmaceuticals, where discoveries are protected for a period by patenting - a fact that appears to escape US health reformers such as Hillary Clinton. She wants to force competition on pharmaceutical companies that produce successful drugs without worrying about whether any new drugs would ever be developed.

In Romer's model, the growth rate may be lower than is desirable and there may be a role for government in promoting growth. Many observers have taken this conclusion as a

licence to advocate government intervention, such as trade restrictions, support for favoured industries and regulation of the labour market.

In fact, the main policy implications from the endogenous growth model are that the government should support basic research (especially that by economists at American universities) and take a more favourable view of monopoly in high-growth sectors.

Some analysis by endogenous growth theorists suggests that many kinds of government intervention - such as industrial policies aimed at picking and subsidising technological winners, distortions of international trade, and restrictions of labour markets - are especially damaging because they reduce long-term growth rates. Endogenous growth theory cannot be used to justify minimum wage rates, strong labour unions, housing subsidies or large welfare payments.

From an empirical standpoint, the most successful framework for understanding growth has proved to be a combination of the new, endogenous growth theory with the

older, neoclassical model. The new theory explains the growth performance of technological leaders; in particular, why these countries - and therefore the world as a whole - can grow for very long periods without tending to slow down. The older model shows how lagging countries can catch up by accumulating capital and copying the new technologies developed elsewhere.

Statistical analysis of data from about 100 countries from 1960 to 1990 reveals a number of variables that influence the growth rate of real GDP per head. The growth rate tends to be higher if the government protects property rights, maintains free markets and spends little on non-productive consumption. Also helpful are high levels of human capital in the forms of education and health, and low fertility rates.

More public investment in infrastructure such as transport and communications may be useful. But the present evidence indicates that returns are typically no higher than those from private investment.

If two countries pursue similar policies, the country that starts with a lower level of real GDP per head is likely to grow faster. In other words, if a poor country can maintain good policies and accumulate a reasonable level of human capital, then it tends to catch up with the richer countries (as has happened with east Asian tigers such as South Korea and Taiwan). However, countries are likely to remain poor if their governments distort markets and fail to maintain property rights.

Overall, the new theory and empirical work on economic growth supports the general thrust of the economic policies such as privatisation and deregulation undertaken by the Tories during their long tenure in office. Thus, it is all the more surprising that Chancellor Clarke chooses to ridicule this recent research with anti-intellectual jokes.

Even worse are the remarks of UK trade and industry secretary Michael Heseltine, who apparently referred to endogenous growth as balls, in a reference to Edward Balls, Gordon Brown's economic adviser. I suppose that I will never understand British humour.

Robert J. Barro

The author is professor of economics at Harvard University, currently on leave as Haubton-Norman Research Fellow at the Bank of England

Joe Rogaly

High noon for the media



One day our elected representatives will decide that Britain's newspapers and broadcasters are getting too big for their boots. The worms will turn. We may then see a protracted struggle, as with the trade unions in the 1980s, designed to put the media in their place. A future government - it could be the Conservatives, but it is more likely to be Labour - might manipulate cross-ownership rules, codify the activities of self-regulatory bodies, impose a right of reply, or introduce laws safeguarding individual privacy and imposing severe penalties for journalists who obtain information by deception. Blueprints for such legal weapons, and others, lie in Whitehall files. Their deployment is the stuff of politicians' everyday fantasies. Only the courage is lacking.

Not everyone sees a need to crunch us. The most skilful practitioners understand that we are easily seduced. Mr Tony Blair, the Labour leader, is a sophisticated who knows how to influence reporters and commentators alike. So do some Conservative bigwigs such as the foreign secretary and the chancellor, neither of whom could argue convincingly that the prime minister is a consummate master of the art. Against that, your average run-of-the-mill Labour politician deeply mistrusts the media. Most Conservative members of parliament are angry by what they regard as its misreporting.

Certain ministers are afraid of what we might say, some of them with reason. Since Mr John Major became prime minister his colleagues have clunked over like minnows, usually following the publication of details about this or that lapse and always after a period during which No 10 Downing Street had intimated that so-and-so had the personal backing of the PM. One or two were fired simply because they were bad at their jobs. I would not seek to differentiate between these categories. Most of those concerned were small fry, their ill fortune best forgotten. Yet some - Mello, Lamont, Fallick, to take but three - live on in our memories.

What links them all, sharks and minnows alike, is that they can be said to have been "brought down by the media." I place the phrase in quotation marks, because it was of course their own behaviour, or inept management of their departments, that destroyed their careers. It is true that Mr Major's main excuse for dismissing Mr Norman Lamont as chancellor was the latter's lack of presentational skills, but that is an exception. The junior ministers lost to the public service over the past fortnight were undoubtedly dismissed by the media. The first resigned voluntarily, acknowledging fault. The second was obliged to go, in response to accusations said by the government to be unsubstantiated and unfounded.

The prime minister's defence of his ministry might have been more robust if he had conceded a three-figure majority, or if his party enjoyed more public support. Alas, the Conservatives' overall lead in the Commons is heading for the lower teens and sinking. In consequence, disgruntled back-benchers exercise disproportionate power. Mr Major must balance

the demands of the right and the Eurosceptics against his comprehension of what the electorate expects. Conservative newspapers that helped him to victory in April 1992 have turned against him. Some, such as the Sun, occasionally appear to be flirting with Labour; others, such as the Sunday Telegraph, hold him in contempt.

The primary source of the most recent spate of discomfiting stories about the Tory administration has been The Guardian. In pursuing one inquiry, Mr Peter Preston, its editor, used doctored parliamentary notes as a subterfuge, to protect his sources. No deception was involved, he says. Mr Preston acknowledged yesterday that "it would have been better in retrospect to have used another heading on the note-paper".

Speaker of the House has asked for a report. Labour says that The Guardian was wrong. The Tories have gleefully pointed their fingers at its editor. Even the mortally wounded may strike back when they see a weak spot in their opponent's defences.

Yet it would be surprising if this single incident became the trigger for a government attempt to roll back the power of the media. Earlier this year the Sunday Times used its own tricks of the trade to entrap a pair of minnows, both backbench Conservative MPs, in an inquiry into the receipt of cash for asking parliamentary questions. Its methods were upheld by the newspaper industry's self-regulating Press Complaints Commission. Against that, a recent poll by the Asso-

ciation of British Editors indicates some 80 per cent of backbenchers of all parties think the PCC is a failure, while more than half would replace it with a statutory body.

My own view has changed. I have previously argued in favour of a privacy law, incorporating Article 8 of the European Convention on Human Rights - "Everyone has the right to respect for his private and family life, his home and his correspondence." Canada, France, Germany, Denmark and the Netherlands have such laws. Wronged individuals would be able to sue, as they do now for libel. There would be a public interest defence. Acceptance by the media of such a bill could be traded for a Freedom of Information act.

This argument has been eroded by the co-operation of many individuals, from royalty downwards, in the destruction of their own privacy. Never mind the public interest defence. Politicians would use any privacy law as a shelter behind which they could hide derelictions in their performance of their public duties. The freedom of information act is wishful thinking. The Conservatives refuse it, and while Labour promises one we must await the fine print before pronouncing it worthwhile.

It would, however, be a mistake to conclude that because the government has not so far put forward a press control bill it will never do so. Sir David Calcutt, who offered a list of proposals in an official report four years ago, recently questioned whether there was any political will to implement his recommendations. He remembers the statements of past ministers, the warning that the media was in "last chance saloon". It may not be there at the moment, not while our gunshiners have the saloon surrounded, with snipers on every roof. But one day...

Politicians would use any privacy law as a shelter behind which to hide derelictions in the performance of their public duties

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Unwelcome local surprise

From Mr Mike Hancock

Sir, You are quite right to report that the Local Government Commission's proposal for a unitary council for New Forest came as a surprise - an unwelcome surprise.

Your report perhaps lets us guess at how the commission came to make what, on any reasoned consideration of the facts, seems completely the wrong decision.

You report Sir John Bannham, the commission chairman, as saying that members were swayed by "overwhelming support for a unitary authority independent of Hampshire, with 50 per cent of residents in the New Forest in favour of this option". He must have meant "respondents" - those writing to the commission with views - because there is no "overwhelming support".

About 6 per cent of the New Forest electorate sent comments to the commission. Some 4,700 people, 3.5 per cent of the electorate, supported the commission's mid-choice for an all-unitary structure of local government replacing county and district councils throughout Hampshire. A separate survey for the commission showed, from a sample of New Forest residents, that a third wanted no change and only 37 per cent, not 60 per cent, wanted a unitary structure.

The changes proposed by the commission would add up to £5m a year, every year, to the cost of running local government in Hampshire. That is what it costs to run two big secondary schools a year. On top of that, council taxpayers would have to find up to £12m to pay the one-off costs of making the change. That is more or less what it costs to build a new secondary school. And the commission's report accepts the problems the councils will face in trying to prevent service quality falling.

If Sir John and the commission have so misinterpreted the data before them, it is no wonder we have a reservation that many Hampshire residents find so unacceptable. The simple facts are that of the 55,000 comments made to the commission, more than half supported the commission's earlier proposal for no change except in Portsmouth and Southampton. Another 18,000 wanted no change at all. That, Sir John, is the voice of the clear majority!

Mike Hancock, leader, Hampshire County Council, The Castle, Winchester SO23 8UJ

Sharpening of public scrutiny is vital

From Jon Stern and Richard Price

Sir, The Fundamental Expenditure Review of the Treasury has inevitably generated widespread debate. As ex-Treasury micro-economists now working as economic consultants in the private sector, we strongly endorse your conclusions (Leader, October 20) about the implications for public expenditure control.

In essence, there are two ways of effectively controlling public expenditure.

The first is the traditional British way in which a central agency (the Treasury) controls all aspects of public expenditure by active and detailed monitoring and control over the commission, as well as the volume, of all public spending programmes.

The second way is to decentralise, setting overall financial targets but opting out of monitoring the composition of expenditure. This requires setting and enforcing hard budget constraints on all public sector bodies. Those that cannot cover their costs from the revenues allocated from the centre then have either to cut back their activities, to increase revenues, or to borrow on capital markets without central government guarantees. This is the model on which states and local authorities operate in the US and the Länder operate in Germany.

As a relatively centralised, unitary exchange system, Britain has consistently opted for the former model and the Treasury has traditionally been its strongest advocate. The Fundamental Review, however, marks a significant shift towards the decentralised model. The main worry must be that devolving responsibilities as proposed

will not, in practice, be accompanied by an effective hardening of budget constraints on government departments, agencies and quangos.

Your leader is also right to point to the Treasury's role in dealing with departmental advocacy of vested interests. Your recent article ("Helicopter money in a spin", October 6) on important forthcoming defence procurement decisions, demonstrated the pressures that powerful industrial groups can wield.

The Treasury has played an important role in forcing proper examination of the economic choices underlying such decisions. It would be a big loss if the proposed Treasury funders in a spin (October 6) on important forthcoming defence procurement decisions, demonstrated the pressures that powerful industrial groups can wield.

As the chancellor has accepted the review as the basis for action, the key question is how to ensure that these potential dangers are minimised. The answer must involve increased public scrutiny. In particular, the role of systematic evaluation becomes even more important in the new system, both in assessing the economic effectiveness of programmes and in comparing outcomes against their objectives.

Progress in public scrutiny will be a big factor in determining how far private sector financial disciplines can be applied to the public sector including the decentralised bodies developing in areas such as health and education. Jon Stern and Richard Price, National Economic Research Associates, 15 Stratford Place, London W1N 9AP

Government of UK is out of the loop

From Judith Church, MP

Sir, Your article, "France ponders superhighway gamble" (October 27), raises important issues which need to be addressed in this country.

France Telecom's reluctance to accept the central financial role recommended in Mr Thery's report is in direct contrast to the position of British Telecom, which is one of the leading players in the information superhighway dialogue in the UK and has already made a commitment to a £15bn investment in the infrastructure.

The technology, the financial means and, crucially, the vision to develop a UK plc information superhighway exist, but our main obstacle is the government's lack of a strategic policy.

As stated in the trade and industry committee's report on optical fibre networks, published in July: "There appears to be little sense of urgency and a lack of a clear sense of vision about what broadband communications could do for the UK and its people."

We need urgent action to address the implications of the developing global information infrastructure and the role of the private sector in this process. Removal of the asymmetric principle is one example of what is needed.

The telecommunications industry waits for no person. Labour recognises that government has a crucial responsibility in propelling UK plc into the lead in the development of a European and global information infrastructure. At the moment it's on everyone's agenda except this government's.

Judith Church, House of Commons, London SW1A 0AA

A nod does not suffice as the law

From Mr K S Francis

Sir, Surely if Lloyd's is to recover monies receivable by Names arising from successful court cases against member's agents, and so forth, it should not be permitted to do so on the nod of the secretary of state for trade and industry but only following new legislation and proper open debate?

K S Francis, 51 Sole Farm Road, Great Bookham, Surrey KT23 3JQ

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Tuesday November 1 1994

Mandate for no change

In a week's time, Americans will go to the polls after the most mean-spirited mid-term elections in living memory. The signs are that, thanks to President Bill Clinton's recent successes abroad, the outcome for the Democratic party will be less cataclysmic than many feared. But the Congress that emerges looks unlikely to be equal to the challenges facing the country in the years ahead.

A month ago, many were predicting historic victories for the Republican party in the elections on November 8. Party leaders spoke, not only of regaining control of the Senate, but of overturning the Democrats' 50-year-old majority in the House of Representatives. The elections, they claimed, had become a national referendum on Mr Clinton, and the president - and his party - were losing.

Mr Clinton's creditable showing in the Middle East and elsewhere appears to have turned the anti-Democratic tide a little. But it is a reflection of the low expectations surrounding the campaign that the House - if not the Senate - would now be seen as something of a victory for the Democratic camp.

It is hard to pin the voters' discontent on the economy. Three and a half years into recovery, the country is materially better off than it has been for some time. Yet rather than reward Democrats for this performance, the electorate has seemed determined to punish them for the government's inability to solve the country's deeper social problems, such as the high crime rate and the dismal state of the inner cities.

In the face of this anti-government mood, Mr Clinton has increasingly turned towards foreign policy in recent months: the one domain in which government activism is not now associated with failure. Candidates in the field have not had this option. For the most part, they have simply been driven to try to convince voters that they are as down on Washington as the country at large is.

Uncompromising climate
Clearly, incumbent Democratic senators and congressmen face a poorly in such an uncompromising climate. But so does anyone

A competitive defence base

From the British ministry of defence comes the sound of arms being heavily twisted. Both British Aerospace and GEC are lobbying hard for their respective bids for the VSEI, submarine yard in Barrow to receive official backing. BAE's case is that, since it does not currently own a shipyard, its bid presents no competition difficulties. However, it thinks that GEC's bid would generate an unnecessary monopoly, since GEC owns Yarrow on the Clyde, the only other big warship yard in the UK.

GEC argues that, in practice, the pattern of warship orders likely over the next 10 years means that there would be little competition even if the two yards were owned by different companies. It therefore makes little difference if the two yards are owned by one company.

The ministry of defence's position is disturbingly obscure. It has quite rightly championed the cause of competition in defence procurement for the past decade, saying that the policy is "fundamental to achieving value for money". Until recently it was also saying privately that it would not look favourably on a GEC bid for VSEI. As soon as the bids appeared, however, the ministry became coy. All it will say is that the issue will be decided by the competition authorities - in this case the Office of Fair Trading - and that its submissions to the OFT will be confidential. Yet since the MoD is the only UK defence customer, its view will decide the issue. So, unhelpfully, secret submissions to the OFT may, or may not, mask a policy shift on competition in procurement.

Monopoly supplier

In deciding its position the ministry will have to weigh the extent to which the necessary consolidation of the defence industry following the end of the cold war should be balanced against maintaining as much competition as possible. In the narrow case of the bid for VSEI, the case for a reduction in competition is not obvious. Since GEC will undoubtedly have to guarantee the future of both yards, creating a monopoly supplier will not lead to rationalisation and cost savings. The MoD thus has little reason to

with a moderate, more pragmatic, conception, of what government might hope to achieve through social and other legislation. In many regions, the candidates that have thrived have been those on the extreme right, who reject moderate solutions out of hand.

Bipartisan coalitions

This kind of polarisation was already much in evidence this summer, in the Republicans' comprehensive blocking of health care legislation. But, judged by the campaign, the 104th Congress will be even less inclined to form bipartisan coalitions to get legislation passed.

What does this imply for the rest of the world? In the short term, the events of the past few months make it even more crucial that the "lame-duck" sitting of the current Congress, in the period just after the election, is able to ratify the outcome of the Uruguay Round of the GATT. Whatever the difficulties this presents, mustering the required votes next year could be harder still.

In the longer term, there is still a chance that Mr Clinton will return to the question of health care reform. But he will have little chance of passing the kind of comprehensive reform he promised in 1992. More incremental measures may be possible, along, perhaps, with a package of welfare reforms which might muster sufficient Republican support.

The true casualty of these elections, however, is the prospect for reforms in areas of US government which require more ambitious bipartisan coalition-building in Congress: above all, the country's bloated system of entitlements. Neither the Republicans nor the Democrats have proposed suggestions for reforming that system during the campaign which make any sense. Yet without fundamental and politically unpopular - tax increases and cuts in spending, the federal budget deficit will begin to rise again in only a few years time.

The US electorate has spent recent months bemoaning the failings of "big government". For all that, they seem determined to elect a new Congress which is singularly ill-equipped, either to make it any better, or to make it any smaller.

upend its arguments in favour of maintaining competition by allowing the GEC bid to proceed. The underlying problem is that the MoD, rather than seizing the initiative, is allowing defence competition policy to evolve in a purely reactive fashion. The rapid decline in US and European defence spending requires a drastic change in the structure of defence industries. This is already happening in the US, but is proving regrettably slow to materialise in Europe, largely because European governments are reluctant to allow cross-border rationalisation.

Argue strongly

The UK is uniquely well placed to influence this process. If it chose, it could argue strongly with other EU governments for a more open market for Europe's defence manufacturers, giving them the freedom to choose how to rationalise in a market almost as large as that of the US. Instead, the MoD has sat back and argued that the market should decide.

The trouble is that the market in defence procurement is far from free. If it were, many companies would probably opt to rationalise within business sectors. That might produce fewer, Europe-wide missile, aircraft and electronics manufacturers, rather than thinly spread national companies. Provided such specialist companies were prepared to follow commercial logic in their rationalisation, as opposed to political pressure, they could operate at lower cost than national defence champions. They might also become genuinely competitive against the giant US firms now emerging in contrast with the current situation in which uncompetitive and under-resourced national companies are awarded contracts for purely political ends.

The MoD's competition policy over the past 10 years points clearly towards a rationalised European defence industry with increasing two-way competition between US and European products. The risk of the current drift in UK policy is that ad hoc decisions on specific cases will give rise to an ill-conceived, nationally-based industrial structure. This will neither give the MoD best value for money nor be able to compete successfully on the world stage.

Whenever the fighting in former Yugoslavia subsides, more comfortable parts of the world forget about it with relief. They have largely done so since February, when a ceasefire brought a minimum of normality to Sarajevo.

But in the last few days, that complacency has been shattered. In its most spectacular offensive since the war in Bosnia-Herzegovina began nearly three years ago, the Moslem-led government army has burst out of its position near the enclave of Bihać and captured over 100 square miles of territory.

It has put to flight thousands of Serb soldiers and civilians, and threatened the Serb-held towns of Bosanska Krupa and Bosanski Petrovac. There have also been Bosnian government offensives to the south and west of Sarajevo, and the city's suburbs have again been shelled.

UN peacekeepers have come under shellfire from government soldiers who refuse to leave the strategic Mount Igman, outside Sarajevo. From the Serbs, they have faced kidnappings and the obstruction of fuel deliveries to eastern Bosnia.

UN officials - who need a minimum of co-operation from all parties to function effectively - admit to being near the end of their tether. Yet winding down their giant operation in former Yugoslavia, which involves 40,000 troops from 36 countries, may turn out to be more disastrous than retaining it.

"Our peacekeeping effort has continually been tested by the warring parties, and in recent weeks the conflict has intensified," says Mr Michael Williams, chief spokesman for the UN in Zagreb.

In theory, the peacekeeping operation was given more teeth by the UN which last week agreed tougher procedures for air strikes with Nato, which is responsible for policing the Bosnian skies. But Nato's insistence that any bombing raids be on a much larger scale than before could make UN commanders more reluctant to invoke air power. And it would be almost impossible politically to use Nato aircraft against the Bosnian government army, which enjoys strong US support.

In the diplomatic arena the picture is scarcely more encouraging, with divisions between the five nations in the international contact group on Bosnia which is leading efforts to arrange a peaceful settlement. The key to progress was supposed to be the unity of the group's members: the US, Russia, the UK, France and Germany.

But now they are divided over a US-sponsored resolution in the UN Security Council that would authorise arms supplies to Bosnia in six months - unless the Serbs accept a peace plan. If the resolution is pushed to a vote, it will be blocked by UK and French abstentions and possibly a Russian veto.

Worse diplomatic disarray has been avoided with the dropping of Washington's demand for an immediate lifting of the arms embargo against Bosnia. But the ability of the five to act together with credibility has already been compromised.

Both the renewed fighting, and the crumbling of international consensus, bring closer the spectre that haunts every actor in the Bosnian drama: a UN pull-out in what military planners euphemistically describe as "non-benign" conditions - under fire from one or more of the warring factions. Nato's plans for this scenario run to thousands of pages; they remain secret, but are assumed to envisage hundreds of casualties and the temporary deployment of up to 20,000 extra ground forces to cover the withdrawal.

It is hard to imagine how Nato could assemble such numbers at speed without including some US troops. It is, however, even harder to imagine how the US could agree to the inclusion of their armed forces in view of the American electorate's acute reluctance to accept

A turn for the worse in Bosnia

Bruce Clark explains the UN dilemma and the diplomatic disarray provoked by the Moslem army offensive

losses in foreign wars. Either way, a bloody withdrawal from Bosnia could shake both transatlantic relations, and the international order, to their foundations. This, in turn, would cloud prospects for concerted diplomatic action over a host of other regional problems, from Iraq to Indochina.

The pull-out of UN peacekeepers could also leave behind a bloodbath in Bosnia in which the death toll would far exceed the 200,000 or so already chalked up.

If the events of recent days do portend a serious turn for the worse, it is quite possible - strange as this may sound - that historians will view the last eight months as a period of success in international policy towards the region.

While each of the outside powers involved in Bosnia has its own strategic aims, there are four goals to which all are committed:

● The prevention of a humanitarian catastrophe by distributing aid, and sheltering civilians from the worst effects of the war.

● The geographical containment of the fighting, so that it does not spread through ex-Yugoslavia and the Balkans.

● The avoidance of any breakdown in relations between the world's leading powers because of disagreement over Bosnia.

● The creation, if possible, of conditions for a long-term settlement which is viable and not too unjust.

The four objectives have been difficult to pursue simultaneously, because they often point in contradictory directions. It is not possible, for example, to feed civilians without feeding armies, which prolongs the fighting.

However, if there is no progress towards the fourth aim of a settlement, the successes on the first two will be compromised, because the political will to maintain the huge humanitarian relief effort and vigorous preventive diplomacy will start to flag. Conversely, if one outside power intervenes unilaterally to promote the fourth goal - by altering the battle lines and imposing what it considers to be a just outcome - the other three goals could be left in ruins.

That is what the British, French and Russians will be telling the US at this week's Security Council debate: far from bringing peace to Bosnia, the creation of a "level killing field" through arms deliveries to the Bosnian government could trigger a new humanitarian nightmare and bitter international recrimination.

Compared with the disasters which might have occurred, the world community has achievements to its credit, at least on the first three goals. With the completion last week of the 10,000th air flight to Sarajevo, the UN can point to some success in meeting the first objective.

There has also been success on the second front: thanks to (mainly US) diplomacy, the Serb-Moslem stand-off in Bosnia has not so far triggered an even bigger conflict to the south between the Serbs and the mainly Moslem Albanians.

Last July, when the five contact group nations threw their weight behind a new peace plan for Bosnia, they were ostensibly pursuing the fourth objective, a long-term settlement. Yet in practice, the peace plan - which would allocate 51 per cent of Bosnia's territory to a Moslem-Croat federation and the rest to



Karadzic, in military uniform, addresses the crowd in Bosanski Petrovac

the Serbs - had much more to do with the third goal of maintaining international consensus.

Rather than having any practical effect, the peace proposal has served as a kind of totem to which all the outside powers can pay homage, and a standard by which the good intentions of the parties on the ground can be judged.

Serbia's President Slobodan Milosevic

The renewed fighting and the crumbling of international consensus bring the possibility of a UN pull-out closer

osevic has emerged triumphantly from opprobrium by accepting the plan, while his rival, the Bosnian Serb leader Mr Radovan Karadzic, has fallen further into disrepute by saying no.

Few close observers of the conflict see the slightest chance of the warring parties agreeing to implement the plan, which would require the Bosnian Serbs to give up 20 per

cent of the land they have staked out and largely "ethnically cleansed" of non-Serbs.

Bosnia's Moslem leaders have accepted the map, albeit reluctantly. But they admit that they have accepted it only because they see no risk of having to implement it: their Serb adversaries were always bound to say no.

There is little prospect that outside powers will come up with a new map. The best hope is that the parties will agree among themselves on adjusting the plan, after exhausting all military options.

But even if the contact group's peace plan is dead, there have been some encouraging hints of progress towards a comprehensive settlement in the former Yugoslavia.

One sign is the covert diplomacy that has been going on since the summer, including a secret meeting between army commanders from Belgrade and Zagreb.

Efforts towards a full settlement in Croatia - based on peace diplomatic recognition between Belgrade and Zagreb, and some autonomy for the Serb-dominated areas of Croatia - appear to be moving into higher gear. After months of intricate negotiations, involving

the US and Russian embassies in Zagreb and envoys of the European Union and the UN, it was announced last week that Zagreb and Belgrade will hold regular meetings at foreign minister level. Serb-Croat reconciliation does not automatically bring peace in Bosnia closer. Whenever Serbs and Croats talk, the Moslems become nervous, on the understandable ground that the most likely subject of these discussions is carving up Bosnia.

But for the present, the Croat-Moslem federation agreement stitched together last February under strong international pressure is holding. In Mostar, which had its Moslem eastern half subjected to a ruthless siege by the Croats last year, about 30 hard-pressed bureaucrats from the EU are working, with modest success, to promote reconciliation and ensure that basic municipal functions are carried out.

In return for international respectability, Croatia's leaders have set aside aspirations to carve out a slice of Bosnia for themselves. President Milosevic, for similar reasons, seems willing in principle to recognise the territorial integrity of both Bosnia and Croatia.

Advances such as these have made the recent French proposal for a meeting between the presidents of Bosnia, Croatia and Serbia more plausible. This would not mean an instant end to all fighting, but if it allowed the broad lines of a settlement in former Yugoslavia to be laid out, it would be a big step forward. At the very least, the diplomatic efforts of recent months have put in place building bricks for a settlement to be constructed.

The latest upsurge in fighting might scupper that process. However, it might just conceivably help it along. The Bosnian Serbs' current reverses could make them more willing to sue for peace on terms acceptable to the rest of the world.

Some observers in Belgrade believe that Mr Milosevic would not be too unhappy to see the power base of his rival, Mr Karadzic, confined to eastern Bosnia. This could happen if the Bosnian Serbs continued to suffer military defeats in the far north of the republic, and the political friends of Mr Milosevic gained the upper hand in the Serbs' stronghold of Banja Luka.

A bleaker scenario, however, is that the Bosnian Serbs will be so badly humiliated that politicians in Belgrade, and perhaps Moscow, find themselves under irresistible moral pressure to come to their aid.

Since his apparent conversion to the cause of peaceful settlement last August, Mr Milosevic has shed his authoritarian state machine, and his control of the media, to insulate himself from nationalist pressures to support the Bosnian Serbs. But the commanders of the Serb-dominated Yugoslav army may not be prepared to stand by indefinitely if their brother officers in the Bosnian Serb forces are subjected to a series of humiliating setbacks.

Another imponderable is the political balance in Russia, where the government might be tempted into pursuing a more stridently pro-Serb policy as a way of parrying hard-line nationalist opposition to its economic programme.

That would end all hope of keeping the contact group together. The outside powers involved in Bosnia might then find the only thing they could agree on was the level of military support each gave to its own friends: the US to the Bosnian government, the Russians to the Serbs.

The last such agreement was in 1989, when Presidents Bush and Gorbachev settled on the deadly principle of "positive symmetry" - or balanced arms supplies to their protégés - in Afghanistan.

As a means of settling a civil war, that is not a happy precedent. While the deal helped take the Afghan issue off the international agenda, it also stoked the fighting that reduced much of Kabul to smouldering rubble. And unlike the conflict in Afghanistan, an escalating war by proxy in the former Yugoslavia would be hard to restrict to a single country.

Steady Eddie vs Villains

When will Britain next raise its interest rates? The financial markets were badly caught out by September's rise, so they will be watching tomorrow's meeting between Kenneth Clarke, chancellor of the exchequer, and the Bank of England's Eddie George with more than usual interest.

But City analysts might just as well look to football team Aston Villa's score sheet for guidance, judging by Eddie George's comments to a CBI dinner in Birmingham last week.

The Bank's economists appear to have moved on from testing correlations between productivity in the Black Country and the performance of the region's premier football team. They are now concentrating on the influence of the Villains (as the team is known) on UK monetary policy.

Three years ago, Eddie George's predecessor noted that he had reduced interest rates more times than Villa had won home games. Now George has hinted there will be no interest rate rise until Villa wins a home game.

Assuming tonight's match (against Transtrop) does not count - because it is a non-league game - the next key date is Sunday, when Villa meets Manchester United. On past form that should mean little chance of any monetary

tightening for at least a week.

Then again, as Goldman Sachs' Gavyn Davies found to his cost seven weeks ago, sticking one's neck out on interest rates can be a foolish business when dealing with Steady Eddie.

Chimes at midnight

Something seismic seems to be under way in London. First some areas round Heathrow start to collapse, resulting in underground trains not stopping at terminal four for the next few weeks.

Now one of London's best-known landmarks, Big Ben, has slipped, albeit almost imperceptibly. A 3mm shift on the clock's east face has been detected by electronic sensors, caused by the natural sway of tall buildings and by tidal movements on the river Thames.

With all this talk of (metaphorical) cracks appearing in the fabric of the UK establishment, it's just a trifle spooky to see some real ones too.

Railroaded

Running a company during a heated takeover battle sure is stressful. It seems to have taken a particularly tough toll on Drew Lewis, chairman of Union Pacific, battling to win control of rival US railroad operator Santa Fe Pacific.

On Sunday, after raising its bid for Santa Fe to \$3.8bn to top

OBSERVER



"I'm the doorman at the Ritz and I've written my memoirs"

Burlington Northern's rival offer of \$3.2bn. Union Pacific announced that Lewis, a former transportation secretary in the Reagan administration, is taking a leave of four to six weeks to enter an alcohol-treatment programme.

Will this affect the outcome of the bid struggle? Union Pacific will clearly miss him; no fewer than three senior executives are taking on Lewis's duties in his absence.

Sporting life

US sports hacks are having a bad time. What with industrial disputes prematurely ending the baseball

season and scrapping the ice hockey, what do they cover?

In place of the World Series, Sports Illustrated splashed the Japanese baseball championship. Better than a previous edition, packed with 11 pages of... rodeo clowns. Television is hit hardest. ESPN, the sports network, has been reduced to dog shows, ten-pin bowling and surfing from Hawaii. The barrel has now been scraped, with the American Double Dutch Rope Jumping championship.

What's left? Goldfish racing from El Paso?

Puffed out

When visiting Japanese emperor Akihito, please remember not to take him a carton of duty-free cigarettes as a token of your esteem. The anti-smoking lobby persuaded the imperial household that recipients of Japanese national awards should no longer get cigarettes but instead a coffee-table book of photographs of Akihito and other members of the imperial family. But isn't the horse-trading involved in such awards conducted - as anywhere - in the proverbial smoke-filled rooms?

PIA pressure

When will the Prudential, Britain's biggest life insurer, end its splendid isolation and apply to join the Personal Investment Authority

along with the rest of the UK life insurance industry?

The question is prompted by the news that Sir Martin Jacobson, a member of the City's great and good, is expected to take over as chairman of the Pru next year. Sir Martin is a director of the Bank of England and a former deputy chairman of the Securities and Investments Board, and can generally be relied upon to toe the establishment line.

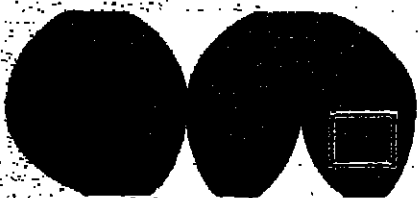
Sir Martin was a member of the board when the Pru insisted on exercising its right to be directly regulated by the Securities and Investments Board and the Pru does not sound as though it is bracing itself for a shift. Even so if the Pru is a member of the PIA a year from now it will be a sure sign that its robust chief executive Mick Newmarch is no longer being allowed to have it all his own way.

Shop early

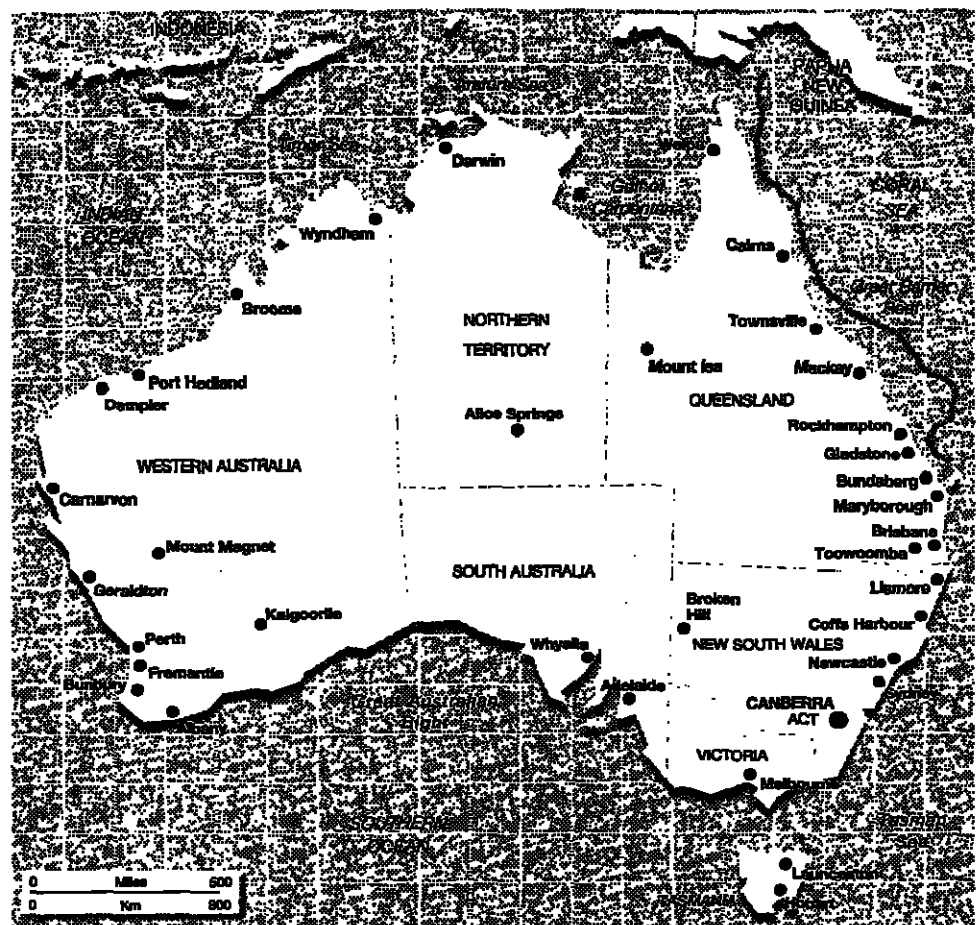
Mohamed Fayed's war with John Major's government has the oddest consequences.

Many of Westminster's well-heeled Tory MPs might expect to do some Christmas shopping at Harrods, the famous Knightsbridge store. Which is of course owned by Fayed. Hardly the done thing, perhaps, to be spotted crossing Harrods's threshold at the moment. It might be construed as an act of gross disloyalty to the prime minister.

هكذا من الأصيل



Mustering cattle in central Queensland: after a decade of fundamental change, the challenge for the Government is to keep the people moving in the right direction. Picture: Ross Bray



Bumpy ride to a new identity

Changes in Australia's ethnic make-up, its international orientation and economic culture are a test of its political maturity, writes Nikki Tait

A political rally goes, the recent gathering in Cabramatta, one of Sydney's western suburbs, was a low-key affair. A few hundred people, perhaps two-thirds Vietnamese, gathered in the local park to hear speeches and sing songs. A solitary policeman tapped his foot in time to the music.

But the fact that it occurred at all was extraordinary. A few days earlier, the local state MP and an outspoken opponent of Asian gangs who had infiltrated the area, had been shot dead. While the reasons for his killing have yet to be revealed, the local media quickly declared this to be Australia's first political assassination.

The racist tone of subsequent public reaction on radio chat-shows worried community leaders, and they decided a backlash should be forestalled. The rally, it was hoped, would

demonstrate the area's real feelings.

It would be easy to get Cabramatta out of proportion. In truth, there are not many streets in Australia where European script is barely visible. The suburb's electorate is amongst the nation's most diverse, almost one-fifth Vietnamese, but with other large immigrant communities drawn from both Asia and Europe. Australia, meanwhile, remains more remarkable for the accessibility and informality which surrounds its public figures.

All that said, Cabramatta's recent experience, and the pre-conceptions and responses which it unleashed, do highlight the key question which confronts the nation. For a

decade, Australia has been engaged in a process of fundamental change, encompassing everything from the country's trade focus and its wage-bargaining mechanisms, to its cultural priorities and racial mix. Key objectives have been (and remain) a closer integration with Asian neighbours and a more competitive business environment at home.

But how fast this restructuring can, or should be, pushed is an extremely difficult issue - one which gets no easier as the changes dig more pervasively into everyday lives, and trade-offs between political

consensus and what is optimal from an economic standpoint become inevitable.

Mr Paul Keating, prime minister, made reference to the issue during his keynote speech to delegates at the recent Australian Labor Party conference. "We are in office. We are doing what we do best - which is making the changes, preparing Australia for the future," he said.

"And we are bringing the people with us," he continued in a slight departure from the prepared text. "That's the important thing, they're coming with us."

From a political perspective, the prime minister's assessment seems correct. Since winning the supposedly "unwinnable" election in early 1993, when recession was biting hard and dissatisfaction rife, the Keating administration has established a clear lead over its opponents in the opinion polls.

A Newspoll survey published in late-October, for example, suggested that if an election were held today, 46 per cent would vote for the Australian Labor Party versus 41 per cent for the Liberal/National coalition. On polling day in 1993, the same survey showed the

two votes neck-and-neck.

The government's edge does owe something to the leadership turmoil within the Liberal Party, the larger partner in the coalition, and to the opposition's policy confusion in the wake of its unexpected 1993 election loss. Moreover, the ALP's ascendancy in federal politics is not mirrored at state or territory level, where only Queensland remains in outright Labor control. This situation, in turn, makes for tension and confusion in key areas, ranging from Aboriginal rights to labour relations.

But it is also arguable that

one major factor in Labor's successful retention of popular support at federal level has been its astute but cautious timing of the reform process - a sharp contrast to New Zealand, whose faster restructuring has provoked a political backlash. In Australia, where the electorate is generally conservative, the Keating government has shown a marked willingness to adjust the tempo in sensitive areas, ensuring that a majority is kept on board.

But while this careful pace of change has so far bought political stability, it is possible that problems are being created on the economic front.

On a short-term view, there seems little cause for concern. Growth in GDP is forecast to run out at around 4.5 per cent

in 1994/5, and then at perhaps four per cent in the following year, figures which compare favourably with any other "western" economy.

The inflation outlook has begun to look a little less favourable in recent months, in part because of the potential long-term implications of the current drought which has crippled key agricultural areas on the east coast.

Nevertheless, the situation is not all that alarming. The consumer price index is forecast to rise by just 2.1 per cent this year, and perhaps 3.5-4 per cent in the following 12 months. Moreover, a larger-than-anticipated one percentage point jump in interest rates in late-October suggests that the Reserve Bank of Australia, the central monetary authority, is firmly determined to keep price rises under control.

Continued on Page 4

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AUSTRALIA 2

On a short-term view, the Australian economy looks as palatable as the country's awesome beaches. On medium-term view, conditions are less certain, writes NIKKI TAIT.

About a year ago, the country started to pull out of recession with unexpected strength. Annual growth in gross domestic product hit the five per cent mark early in 1994, before easing back to 4.3 per cent in the second quarter. Inflation remained (and remains) low: the annual increase in the consumer price index ran at 1.7 per cent in the same period.

Moreover, while consumer demand was the driving force in the recovery's early stages, this is finally generating a pickup in business confidence. As a result, the government's crucial target for business investment - a 14.5 per cent rise in 1994/5 - seems more attainable. There was a "high probability" of this increase being reached or even surpassed, remarked Ted Evans, one of the treasury's senior officials, in September.

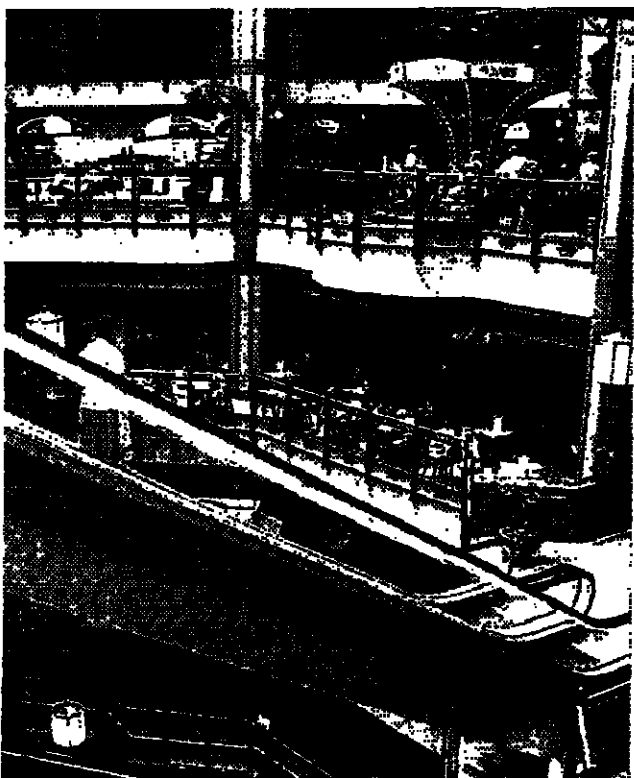
So, with some justification, Mr Ralph Willis, Australia's unassuming treasurer, has been able to declare that his country has never looked better placed to achieve a prolonged period of economic growth.

But even Mr Willis would not pretend that the skies are cloudless.

The most immediate concern is the severe drought which has hit key agricultural areas on the east coast. The effects of this are still felt widely, and it is hard to assess the final impact.

But, already, production of wheat, a significant export category for Australia, is forecast to almost halve from around 17m tonnes last year to 10.4m tonnes in 1994/5. Feed costs for livestock producers are increasing, and prices of both animal and grain-based products could rise. Rural hardship cases are fairly widespread, prompting the government to announce a \$164m package of emergency aid measures, spread over two years. At present, official estimates suggest that around half a percentage point may be knocked off the nation's growth rate as a result of the drought.

Secondly, in spite of the strong growth rate, Australia's unemployment situation remains grim. A year into the recovery, the jobless rate stands at 9.5 per cent, and the



Brisbane's Myer shopping centre: rising from recession

ECONOMY

It's getting stronger

emphasis which the corporate sector is still putting on productivity improvements suggests that any rapid decline is unlikely. Some forecasts have indicated that a national growth rate of around 3.5 per cent for the rest of the decade would still leave the jobless rate at seven per cent by the year 2000. A growth rate of 4.5 per cent might get unemployment down to five per cent.

Such predictions encouraged the federal government to launch a \$46.5bn "jobs programme" earlier this year. Its initiatives were various, but included the offer of either subsidised employment, mainly in the private sector, or work experience and training to all long-term unemployed people of 18-plus.

The package was given the best possible gloss, and much of the cost is actually spread over a four-year period. Nevertheless, while it was quickly judged to be politically astute, the business and financial com-

munity was less impressed. In spite of government reassurances that it was sticking to its deficit reduction strategy - which aims to cut the deficit to around one per cent of gross domestic product by 1997 - it would have preferred a faster rate of reduction, and more margin for error.

These calls were voiced by Mr Bernie Fraser, the Reserve Bank governor, in September and Mr Willis has suggested that they will be borne in mind in shaping the next budget.

Thirdly, there is the matter of Australia's external account. Australia's current account deficit has stabilised at around four per cent of GDP in recent years, but the concern is that the balance of trade could go out of kilter as business investment gets under way and imports of plant and machinery surge.

Many analysts do predict some worsening of the current account: Bankers Trust, for

example, recently predicted A\$22bn deficit in 1995/6, or 4.5 per cent of GDP, although it adds that such a level "will not pose a serious problem for the economy". Since then, the August trade figures have been released - and the much larger-than-expected current account deficit fuelled the pessimists' worst fears.

The authorities' response, meanwhile, centres on the huge effort to promote Asian trade, and encourage Australian exports to the region. This, it is hoped, could offset the rise in imports.

But most pundits also acknowledge that there is an element of guesswork in all of this. No one yet knows how strongly sustained Australia's export performance will be, nor the extent of any import surge. If the current account does "blow out", it is widely assumed that interest rate or tax increases might have to follow - the political hope presumably being for the latter - and that this could occur after the next federal election, in 1996.

Finally, there is the question of internal "structural" reforms. Ministers frequently point to the progress made by Australia over the past decade - in terms of the steady lowering of tariff barriers, the move to replace centralised wage agreements by enterprise-based bargains, the reduction in the number of industrial disputes, the introduction of competition into key sectors such as telecommunications, and so on. There is, moreover, an ongoing effort to push the process further, especially at state level.

But the outside world, including the all-important Asia region, is sometimes less appreciative. It still tends to see sporadic, but high-profile, national strikes (in the coal and shipping industries, for example); Australia's low savings ratio, contrasting sharply with that of its northern neighbours; and the nation's egalitarian culture which distrusts commercial success.

One recent survey of international competitiveness, by the International Institute of Management Development, put Australia in 15th place, roughly level pegging with the UK and Canada. Singapore, by contrast, came in second to the US, Hong Kong was fourth, and even Malaysia and Taiwan managed 17th and 18th places, respectively.

For the Australian mining industry the much feared "era of Mabo" has begun without interrupting the long-standing trend of steadily increased production and export revenue.

Mabo is the popular tag given to a watershed High Court decision given legislative effect late in 1993 through the Native Title Bill. The Bill, which broadly gives Australia's Aboriginal people title to large tracts of the country, had drawn dire predictions from the mining lobby, mainly reflecting concerns about exploration and development access.

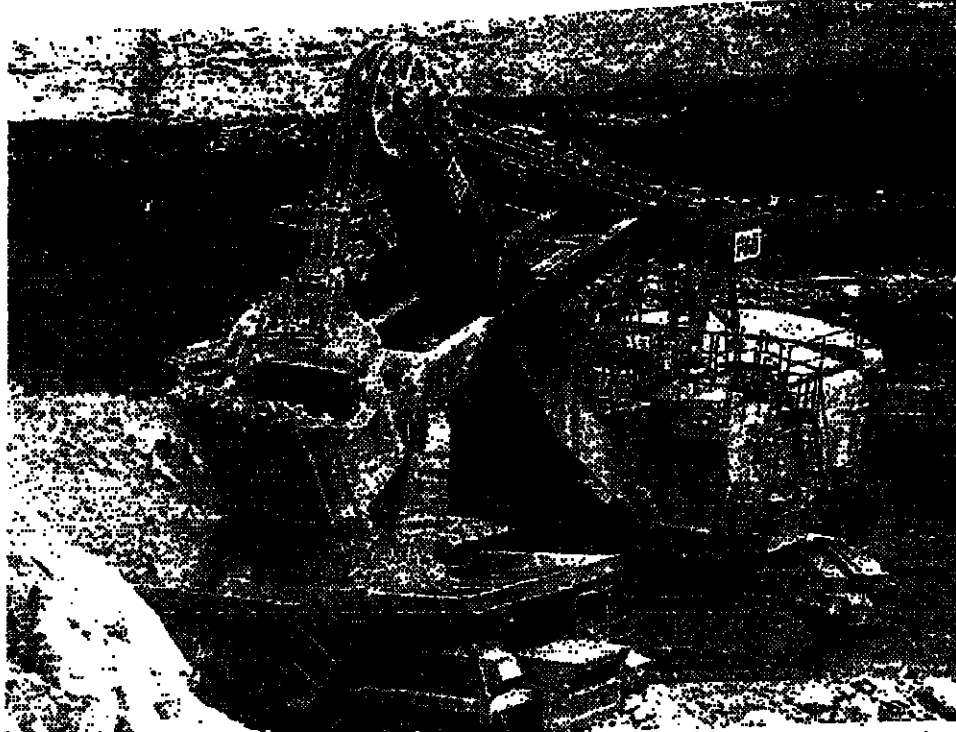
However, in 1993-4, the industry has again overcome weak world demand, historically low prices for many key commodities and unfavourable exchange rate movements marginally to lift export revenue to almost A\$30bn, accounting for better than 35 per cent of the country's total export receipts.

Figures from ABARE, the Federal Government's commodities research arm, show that Australia's mineral exports have risen in all but one year of the past decade. The latest total represents more than double the country's then record A\$14.9bn mineral exports in 1986. While this performance justifies the industry's world leader status, demonstrating its inherent strength and diversity, closer inspection reveals some weak spots which threaten to reduce momentum later this decade.

The industry acknowledges that the effects on production and revenues may not be felt for some years, given the lead times involved in major projects. But mining executives see Mabo as part of a long term pattern of adversity which includes the rise of environmental issues, compensation claims from landowners, unfavourable tax treatment and vexatious litigation.

Mr Geoffrey Ewing, of the Australian Mining Industry Council (AMIC), says the mining industry has long been a leader in negotiating with Aboriginal communities. "Our argument is not with the concept of native title, but with the way the Bill produces an unwieldy system for exploration and development access," Mr Ewing said.

"Any real influence on production and exports is obviously some years off. In fact, our annual financial survey,



Surface stripping at a New South Wales open-cut coal mine: gold is catching up. Picture: Ashley Ashwood

Mines survive new land rules, says Bruce Jacques

The lining is golden

due out later this year, will probably show a lift in exploration spending in the latest year. But our information is that the spending is mainly on what could be described as "brownfields", sites which are free of any native title claims.

The Australian mineral industry's overall performance in the latest year was also distorted by near boom conditions in one commodity - gold - where export value rose by more than 26 per cent to A\$5.42bn, masking some serious declines in other commodities.

Gold's resurgence echoes its historical position as one of the main populators of fledgling antipodean colonies more than a century ago. The metal's more recent Australian history is scarcely less important to national fortunes.

From a position of decline in the 1970s, when many of the country's biggest mines faced closure and annual output ran at less than three tonnes, Australian gold production has rallied close to 250 tonnes in the current year, ranking it third in the world after South Africa and the US.

And new projects already

under way mean that production will keep rising strongly, barring a collapse in the all-too-volatile gold price. Mr Robina Widdup, gold analyst with J. B. Were & Son, the Australian stockbrokers, told the Financial Times World Gold Conference in June that Australia's annual gold production was likely to top 300 tonnes by the turn of the century.

Vigorous exploration and new mine development has transformed the gold industry from the 1980s picture of short life, shallow oxide open pits, to large long life mines in the 1990s. Mr Widdup said, "The 1990s Australian gold rush has seen geologists, armed with new geochemical and geophysical techniques, unearth a series of large new gold discoveries beneath sand cover."

"This breakthrough in technology has lifted exploration expenditure ... and the rate of success shows no sign of slowing. A group of 10 to 15 new mines should lift Australian production by 40 to 50 tonnes over the next five years."

If gold fulfils these expectations, it could replace coal as

Australia's number one export earner around the turn of the century. Gold's export jump in the latest year compared with a corresponding 5 per cent fall to just under A\$7.2bn for coal.

Several other major Australian minerals recorded solid export revenue gains in 1993-94, including aluminium, up 5 per cent to A\$1.82bn and iron, steel and ferroalloys, up 22 per cent to A\$1.4bn. But zinc exports fell 22 per cent to A\$795m.

Sticking to a familiar pattern, Australia's higher overall export receipts were achieved despite markedly lower average commodity prices received. ABARE's mineral export price index slumped from 99.7 to 91.9 over the year while the index of mine production rose from 105.2 to 107.

Australia is, quite simply, continuing to sell more minerals for less money. The financial performance of its leading commodities companies remains volatile. It's a habit that will prove hard to kick while the industry remains a price taker, hostage to a small local market and heavily exposed to the vagaries of international trade.

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مركز الأعمال

Personalities, not policies, have dominated Australia's federal politics of late.

Perhaps the strongest spotlight has fallen on leadership machinations within the Liberal Party, the dominant opposition party. Back in early 1993, when the recession was biting badly, Mr John Hewson, its former leader, lost a seemingly unlosable election to Paul Keating's incumbent Labor Party. For over a year, Hewson then limped on as the wave of destabilising rumours and speculation swelled around him. He finally threw in the towel last May, calling for a party-room ballot.

The showdown was surprisingly neat. Two aspiring candidates - Mr Peter Costello, a Victorian lawyer in his late-30s and relative newcomer to federal politics, and Mr Alexander Downer, Hewson's treasury spokesman - collaborated to present a joint "youth ticket". It won comfortably with Mr Downer, whose blue-blooded Adelaide family has been involved in politics for three generations, taking the senior



Prime minister Paul Keating: ahead by a solid margin

job. Mr Costello became shadow treasurer.

But matters soon became messy again. Mr Downer, having enjoyed an initial "honeymoon" in the opinion polls, made a series of public gaffes, the most serious of which concerned opposition policy

towards Aboriginal native title rights. The recent decision by Mr Andrew Peacock, the veteran Liberal politician, to quit the federal scene has not been helpful either, while Mr Peacock has reaffirmed his support, speculation over his successor in the blue-ribbon seat of Kooyong has provided an opportunity for gossip-mongering to restart.

In the meantime, the opinion polls have switched, and now give Labor a clear edge over the opposition. Mr Keating, who has never ranked highly in the personal popularity stakes, leads Mr Downer as preferred prime minister by a solid margin.

But while the Labor side of the equation has been reorganised, it has not been without its own personality upheavals. In early 1994 - and for a wide variety of reasons -

the Keating government lost four ministers, including John Dawkins, the former treasurer, and Graham Richardson, who held the health portfolio and was one of the party's key backroom players.

Since then, the cabinet has stabilised, but there has been a not-so-subtle lining-up of potential Keating successors. No one believes that the prime minister is set to depart in the short-term. But there is a school of thought which suggests that if he wins the next election, due in 1996, he could then step down midway through the next government's term of office.

So Mr Gareth Evans, Australia's foreign minister, has arranged to move from the Senate (parliament's Upper House) to the House of Representatives. This would allow his hat to go into the ring. Ms

Carmen Lawrence, the former Western Australian premier who took over Mr Dawkins' seat and Mr Richardson's portfolio, is another possible contender. Mr Kim Beazley, finance minister, and Mr Simon Crean, employment, have also been touted as candidates.

All these comings and goings have tended to mask the legislative vacuum. The Keating government pushed through key measures, such as the Native Title legislation and a contentious Industrial Relations act, during its first 12 months of office. This was often uphill work: the government lacks a majority in the Senate, and the Democrats and a couple of Green Party senators who hold the balance of power there caused difficulties. More recently, however, the Keating regime has cooled the

tempo. The most conspicuous feature of its last finance package, for example, was the absence of any significant new measures. Opponents spilling for a fight were left flailing in thin air. The overall result is that the profile of the minor parties has fallen significantly.

But perhaps the central question now hanging over Australian federal politics is whether the opposition can find a package of policies which differentiate it sufficiently from a "middle-of-the-road" Labor government, and yet offer greater appeal to the electorate.

This is not an easy task. During the past 10 years, Labor has followed a moderate reform path.

This has involved putting a programme of tariff reductions in place, nudging the labour movement towards enterprise-

based deals, deregulating key industrial and financial sectors, pushing the Asia-Pacific links, and so on. With a fair amount of skill, and helped by a weak opposition, the government has been moving at its own pace. It has thus retained

The key issue is whether the opposition can offer policies more attractive than those of a centrist Labor government

a broad measure of consensus support.

The fate of Mr Hewson, whose "Fightingback" package would have pushed the reforms further and faster, suggests that the Australian electorate will not be wooed by a more radical economic agenda. So

the Downer team is taking a different tack.

Its first effort has been a broad "strategy" document called "The Things that Matter". This sets out the main policy areas which the party plans to develop in more detail during the run-up to the next election. "Four key issues define what we believe should be the major priorities of Australia: the creation of jobs, the strengthening of families, the empowerment of communities and the restoration of national cohesiveness and independence," it reads.

The jury is still out on the wisdom of this approach. Many commentators have found little to quarrel with in the document, which is also skillfully packaged. But the big question is the extent to which government niggling will mean that the rather bland generalisations have to be turned into detailed, costed policies.

That is when the Labor guns will really fire - if only to divert from a certain lack of new initiatives on their own side. The next 18 months could be interesting.

Shaking up the big state monopolies remains an urgent priority, writes Emilia Tagaza

A long haul to greater efficiency

ONE of the greatest pieces of infrastructure redevelopment in Australia is arguably the conversion of rail freight lines connecting the mainland capital cities into a single, standard-gauge network.

By the middle of 1995, and for the first time in the country's history, goods being transported from one state to another will no longer be delayed by differences in rail track widths.

Until 1982, a journey from Brisbane on the east coast, to Perth, on the west, involved five changes of gauge, shifting from narrow to standard to broad and back to narrow. To move goods across, bogie exchanges were installed to change bogies underneath the waggon and enable the transfer of containers.

Over recent years, standard tracks have gradually been installed across borders so that today the Melbourne to Adelaide corridor is the only missing link in a standardised national system. This is now being rectified, with the construction expected to be finished by May 1995.

The system's inefficiency has long bedevilled Australian business, which has borne the cost and consequence on its competitiveness. The Bureau of Industry Economics, which has examined the performance of Australia's infrastructure against world competitors, says that Australian rail freight charges are at least twice as high as its cheapest competitor. Its productivity was only 27 per cent of the world's best performer in 1991-92.

The state of the nation's railway system reflects how practices and institutions established by individual colonies in the 19th century have continued beyond the federation, thus presenting a major obstacle to a single, national and competitive economy. It is no wonder, then, that the ruling Labor government has made state enterprises the target of the latest phases of its macro-economic reform.

During the last 10 years, the federal government's reform programme has seen the deregulation of the financial and labour markets. Today, reform is aimed at state corporations and authorities, which have almost total control over infrastructure facilities.

Earlier this year, the Commonwealth government adopted an internally-generated report on national competition policy, the so-called Hilmer Report, which recommends that state government enterprises be opened to

It is estimated that reforms in state utilities such as power and transport would increase national output by \$5.5bn a year

free competition. Also being freed-up are statutory marketing bodies and unincorporated enterprises, such as the professions, particularly the legal sector. These three areas have until now been immune to the Trade Practices Act.

Infrastructure costs are over 10 per cent of the input of all of Australia's industries. The Bureau of Industry Economics study has found that in terms of price, reliability and efficiency, Australian infrastructure was below world best practice, in some cases substantially so.

The government estimates that reforms in state-run utilities would increase national output by A\$8bn (US\$5.5bn) a year.

Although the state governments have generally agreed to implement the Hilmer Report, it is nevertheless an arduous task for the Commonwealth government. It is dealing with eight states and territories, all fielding with different politics, different views of competition, and where business enterprises have different structures and are covered by different laws.

The first hurdle has already appeared. This is the issue of compensation for the states

who stand to lose "monopoly rents" provided by the enterprises. When these are privatised, the income will flow directly to the Commonwealth government as company tax.

At a meeting in August between the Commonwealth and state governments, the heads of states and the prime minister, Mr Paul Keating, were deadlocked on the level of compensation. Understandably, the states wanted to get more, whereas the Commonwealth wanted give less.

A Commonwealth bureaucrat said that some states justified their high demands by pointing at the steeply-rising revenues from state enterprises. He said it was unclear how much of the increases were due to excessive charges or to the increasing proportion of profits paid to states as dividends.

The issue was resolved with the states asking the Industry Commission to examine the yearly increase in Commonwealth revenues as a result of the reform. A commonly-agreed formula will then be set for splitting revenues.

The states have widely differing approaches to implementing the programme. Victoria has been implementing an aggressive privatisation team since the Liberal government took power three years ago.

Mr Alan Stockdale, the Victorian treasurer, showed a hint of concern that privatisation already accomplished may be excluded from the revenue-sharing. "The Industry Commission is working with a brief from the state treasurers and it will clearly consider all relevant issues, including retroactive compensation," he said.

Queensland, meanwhile, resists the sale of public assets, claiming that, unlike Victoria, it does not carry a debt burden and therefore does not need to have a fire sale.

However, it has in recent years introduced a "corporate culture" in state enterprises,

which has resulted in some efficiency gains. Western Australia alone has refused to surrender its utilities to a national competition law.

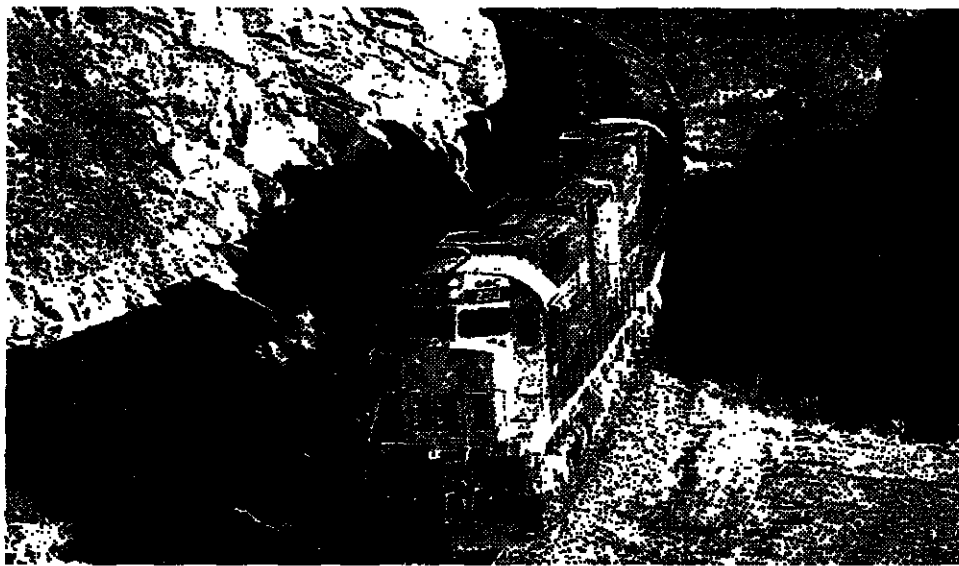
But Mr Stockdale said the different approaches are a natural part of the co-operative process. "There are some differences but I believe everyone is genuine about their commitment to national competition," he said.

Mr Stockdale, who is recognised as the architect of the Victorian privatisation programme, considers the electricity industry as deserving

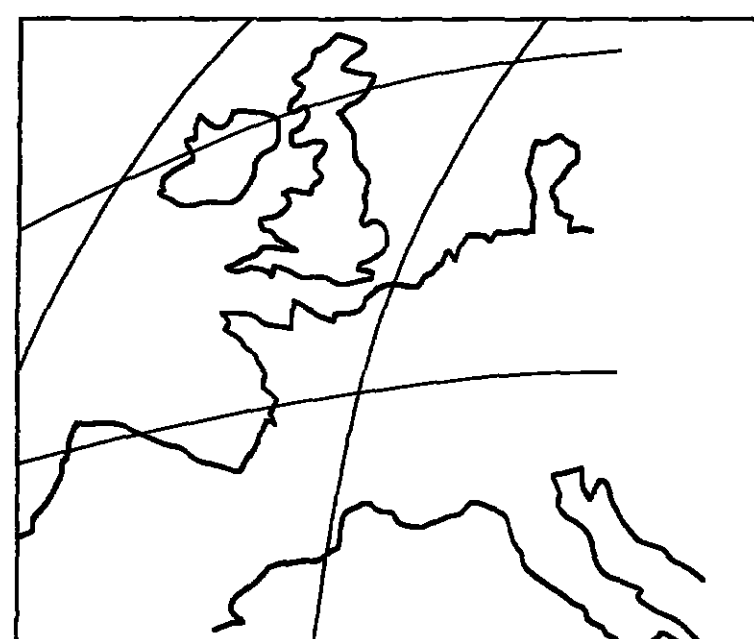
the top priority for de-regulation. He said Victoria has slipped from the lowest cost electricity supplier in the 1960s to the most expensive on the eastern seaboard.

He would like to turn that round to regain competitive advantage.

The first sale, that of a power generator, is due next year. The government expects that before 1996 there will be free competition for generation and distribution in the state. The core transmission grid will remain a state monopoly.




Hauling iron ore from the mine: until 1981, there were five changes of railway gauge across the continent



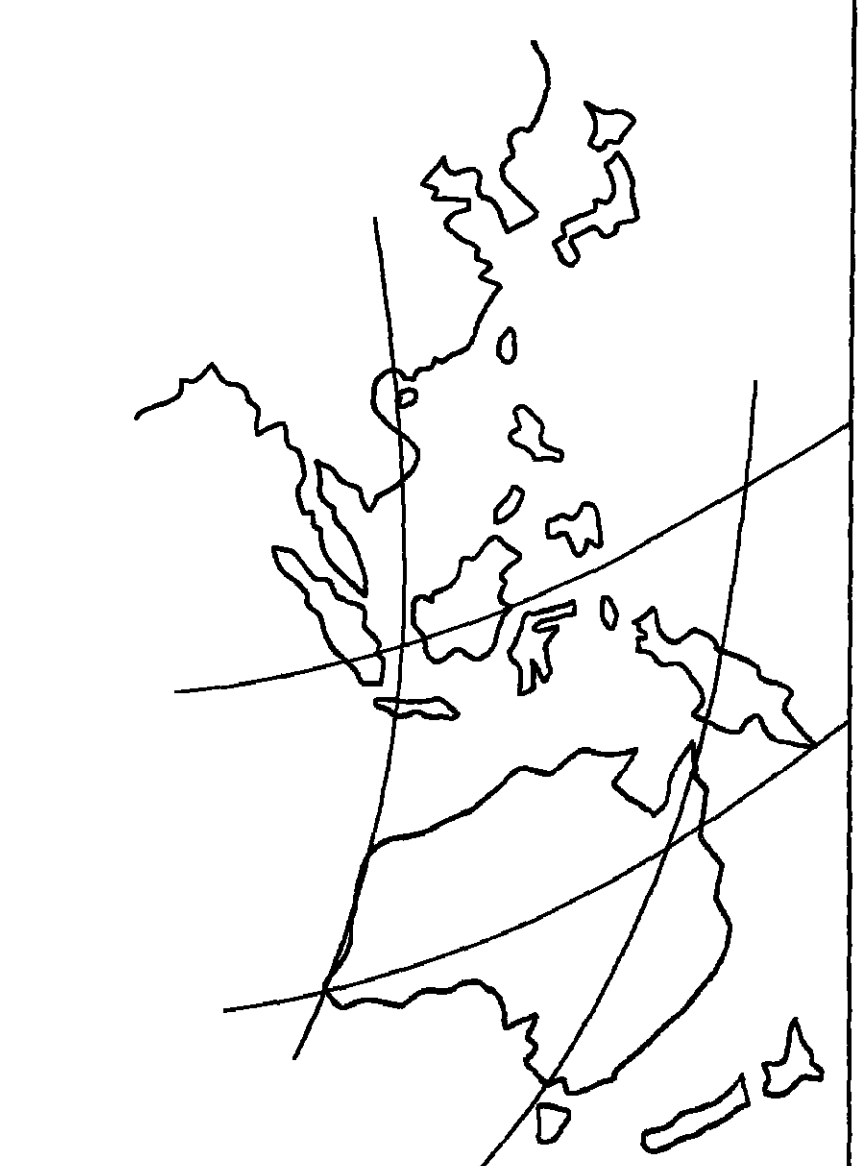
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Nikki Tait studies the rise of the gambling dens

Wheel of misfortune

If the growth in visitors to Australia is a pretty sight, the development of the country's casino industry - a key factor in the tourism equation - looks increasingly ugly.

It has been estimated that revenues from Australian casinos could double over the next five years, to around A\$1.25bn per annum, as new properties in Cairns, Brisbane, Melbourne and Sydney come on stream.

This will be the third phase of the industry's development. While casinos have been operating in Tasmania and the Northern Territory for several decades, there have always been small-scale operations, with aggregate annual revenues of less than A\$50m.

It was only when the Burswood casino got going outside Perth in 1985, followed by Jupiters on Queensland's Gold Coast, that the dollar signs started to clock up. Burswood has around 116 tables, and Jupiters almost as many. The other seven casinos sprinkled across Australia are only in double-digits, and Alice Springs' has fewer than 20 tables. Burswood alone accounted for 40 per cent of the industry's A\$657m revenues in 1992-3.

Today, there are two principal reasons why other big states, such as Victoria and New South Wales, are clambering on to the same bandwagon. The first is an acute desire to

attract the Asian tourist dollar - or, at the very least, not to lose out to competing cities and states. According to projections from the NSW Casino Control Authority, the number of international visitors to the Sydney property could top the million-mark by the year 2000, compared with 1.15m domestic visitors and 675m local visitors or day-trippers.

Secondly, state treasurers, eager to relieve their budgetary pressures, see tax revenues from gaming dollars as a fairly efficient means of raising new funds. Consultants say that the substitution effect - the drop in racing-related revenues, for example, as punters adjust their activities - is relatively modest.

But as the stakes are raised, the disquiet is growing. In Melbourne, where a temporary casino opened early this year, there have been reports of a proliferation of "gambling problems". Pawnshops are said to be seeing a surge in business, and financial difficulties, notably within the city's large Asian community, are rife.

Meanwhile, the Sydney casino development has degenerated into a dirty brawl between the business interests of Mr Kerry Packer, the Australian businessman who already has a significant stake in the Melbourne operation, and a consortium of Showboat, the US casino group, and

Leighton Holdings, the Australian building company.

Leighton>Showboat appeared to win the right to build and operate the Sydney property earlier this year, outbidding the Packer consortium, which also included the US's Circus Circus, by offering an upfront payment of A\$30m.

But since then, the Packer camp has unleashed a barrage of accusations about Showboat's probity. Mr Bob Carr, the NSW Labor opposition leader, has levelled some of the more detailed allegations, which hang on fairly tenuous links between Showboat and a Louisiana mob figure and seem to baffle US analysts. Confidential US police reports have been leaked: public relations advisers and lawyers spurred into action.

The CCC, having assured everyone that extensive probity checks had been carried out before the Leighton>Showboat choice was made, has set up an inquiry to look into the allegations.

Sydney residents, meanwhile, tend to view the whole business with a mixture of contempt and cynicism. Two previous attempts to award a Sydney casino licence - in 1986 and 1987 - went awry when individuals or companies involved in the winning bids ran into controversy. It is now a question of whether the third time is any more lucky.

AUSTRALIA 4

Pacific is now the main focus, writes Emilia Tagaza

Trade wind shifts

Mr Paul Keating, the Australian prime minister, is trying to transform the Asia-Pacific Economic Co-operation (Apec) forum from a talking shop to an effective grouping of countries that feel they have been the victims of strong-arm trade tactics.

His latest mission has involved weeks of intense negotiations aimed at getting Apec members to establish a free trade zone in the Asia-Pacific region by 2020.

There is a hint of impatience in Mr Keating's time-frame. He would like an agreement to be reached in principle during the Apec leaders' November meeting in Bogor, Indonesia.

If he succeeds, Apec would become more than an obscure acronym for another bloc of countries trading primarily in raw materials.

For Australia, a completely liberalised trading regime would further strengthen its presence in the region.

Companies hope free trade will also lead to a freer investment climate, thus opening opportunities for greater participation in Asia's booming equity markets.

Mr Bob Lim, director of economic analysis at the Business Council of Australia, the main employers' body, says uniform rules will provide a quick way to the regional securities market. "Australian companies will be more comfortable with greater transparency and disclosure rules, and with uniform accounting and other operating standards," he says.

Mr Keating's free trade proposal has been received favourably among the Association of South-East Asia Nations (ASEAN). An internal Apec committee had originally recommended a start-up date 10 years later than Mr Keating's proposed 2010.

President Soeharto of Indonesia, who will chair the November meeting, has pledged to place the issue at the top of the Bogor agenda.

Indonesia, which traditionally had the tightest trading regime among ASEAN members, acknowledges that only by opening up its trade and investment doors can its country's economic growth be sustained.

Mr Goh Chok Tong, the Singapore prime minister, who is an avowed free trader, favours an even earlier date - 1998 - for introducing free trade in the region.

The Canberra-based ASEAN-Australia Business Council said the Apec move will push forward the ASEAN Free Trade Agreement (AFTA), which began last year.

"The time-table for Apec's phase-in roughly corresponds to that of AFTA, and the wider Apec membership will bring greater advantages to ASEAN countries," the council said.

The accelerated time-table has a built-in sweetener for the developing member countries. According to the Business Council, the preferred Apec schedule is for developed countries to dismantle all barriers by 2000, newly industrialised countries, such as Singapore,

lia and other agricultural exporters have been thwarted by the high protective wall built around the EU and the US.

Australia was vulnerable because the subsidies had encroached on its traditional outlets for wheat, one of its largest foreign exchange earners.

Using whatever influence it had, the Australian Labor government had sought to get together some of the trading underdogs for a more effective collective lobbying. It was instrumental in the formation of the Cairns Group, which consists of non-subsidising exporters, mostly from developing countries.

The Cairns Group secured a hearing during the Uruguay Round of the Gatt talks, but by the close of the 1980s it was obvious that the US and Japan also had to be involved to make an impression on the importing countries.

The historic deal struck last December at the end of the seven-year Uruguay Round placed, albeit momentarily, the free traders. Australia stood to gain an additional \$55bn (US\$3.7bn) in annual exports from the range of subsidy and tariff cuts agreed upon.

Mr Keating, at the time, claimed the agreement would result in an \$51bn increase in agricultural exports. Wheat sales were expected to rise by \$25bn because the deal would slash the amount of subsidised wheat on world markets by nearly 50m tonnes between 1995 and 2000.

However, the recent delays in the ratification of the Gatt accords has again underlined the need to strengthen Apec.

Mr Keating moved quickly and spent much of August and September cajoling important Apec players to give a political commitment to the promotion of the free trade.

On a visit to Tokyo last month, Mr Keating appealed to the ideological leanings of Mr Tomichi Murayama, Japan's new socialist prime minister, in order to win a half-nod.

Mr Murayama reacted by offering to back regional free trade. However, he pragmatically advocated extreme caution.



Hayman L resort, Queensland: the Pacific is the world's fastest growing tourist area. Picture: Ross Bray

Japanese tourists flock in, reports Bruce Jacques

Harvest in the hotels

The growing importance of tourism to the Australian economy was underlined in 1994 by recognition of the diverse and complex sector as a leading stock exchange investment indicator.

The pooling of nine leading tourism-related companies into a single indicator, the Tourism and Leisure Index, represented a coming of age for a sector which has had more than its share of credibility problems with investors.

While the index will help to make a fragmented industry more accessible and easier to analyse, it will reflect merely the tip of what is a very large and growing iceberg. By September this year, companies included in the index boasted a market capitalisation comfortably above \$33bn, or around one per cent of the benchmark All Ordinaries index.

But the new index sits atop a sector which now makes up more than 5.5 per cent of Australia's gross domestic product, employs almost 6 per cent of the country's workforce, generated foreign exchange earnings exceeding \$10.7bn and accounted for expenditure estimated at \$26.2bn last year.

Although the bulk of that expenditure total - \$18.4bn - came from domestic tourism, inbound tourism is expected to

be the major growth area for the rest of the century, boosted by Sydney's capture last year of the 2000 Olympic Games.

This climate of growth has already catalysed strong investment. The Australian Tourism Commission (ATC) has identified tourism-related accommodation projects worth almost \$35bn scheduled for completion by 1996, including two new casinos.

The activity has also thrown up plans which will test equity markets, including a fleet of the Federal Government's flagship airline Qantas, possible refloating of the rival private airline, Ansett, and privatisation of the country's airports. These proposals could call on markets for around \$7bn over the next five years, providing a keen indication of investor attitudes to the tourism sector.

Some see even more at stake. Many analysts see tourism performance as an acid test of the wider Australian economy's ability to compete internationally into the next century. A recent study by ANZ McCaugham, the Australian stockbroker, says tourism growth will largely reflect the country's ability to win an increasing share of the global tourism market, clearly one of the world's biggest industries.

ANZ McCaugham quotes estimates that tourism accounted for around 5.5 per cent of world gross national product in 1993, with more than 500m tourists spending almost \$325bn. Tourism is widely forecast to create one in nine new jobs in the world next year, rising to one in eight by the turn of the century.

Australia has one crucial advantage in capturing more than its share of this growth - its location in the Asia-Pacific region, the world's fastest growing tourist area. ANZ McCaugham says in the 12 years to 1992, tourist arrivals in the region grew at an annual average of almost 9 per cent, more than double the world average. Continued regional outperformance is forecast for the next decade.

Australia has more than matched this regional growth over the past decade, with arrivals increasing at more than 9 per cent annually. This record, plus the boost expected from the Olympic Games, recently led the ATC to confirm its estimate that 6.8m overseas tourists would visit Australia in the year 2000, rising to 8.4m by 2004. This compares with 3.2m actual arrivals in 1993-4.

These forecasts reflect an estimated 2.1m overseas visitors generated directly over the next decade by the Sydney 2000 Olympics, with the bulk of business coming from Asia as slow economic recovery and

KEY FACTS		
Area	7,682,300 sq km	
Population	17.66 million	
Head of State	HM Queen Elizabeth II	
Currency	Australian dollar (A\$)	
Exchange rate	Dec. 1993 \$1=1.4733 A\$	
	Sep. 1994 \$1=1.3514 A\$	
ECONOMY		
	1993	1994
Total GDP (A\$bn)	412.4	431.6
Real GDP growth (%)	2.7	4.2
Components of GDP (%)		
Private consumption	62.6	62.1
Government consumption	19.6	19.8
Exports	18.3	19.2
Imports	19.8	19.5
Annual average % growth in		
Consumer prices (%)	1.8	1.6
Ind. production (%)	1.7	5.0
Hourly earnings (%)	2.8	2.3
Share price growth (%)	35.1	4.2
At Dec. 93, Sept. 94		
Unemployment rate (%)	10.7	9.3
Official call rate (%)	4.80	5.45
3 month inter-bank rate (%)	4.86	6.23
Govt. bond yield (%)	6.68	10.33
Official reserves (A\$ bn)	20.9	20.5
Trade (A\$bn)		
Current account balance	-15.7	-9.2
Merchandise exports	62.1	32.0
Merchandise imports	62.4	32.5
Trade balance	-0.4	-0.4
Main trading partners (%)	Exports	Imports
Japan	25.2	18.1
USA	8.7	22.8
Singapore	6.5	2.4
Korea	6.2	2.7
UK	6.0	6.0
EC	17.6	20.1

(1) First half of 1994 annualised. (2) First half of 1994 only.
(3) Growth over 12 months to end Dec 93, and Sept 94.
(4) Reserves Dec 93, August 94.
(5) Percentage shares of trade in 1992.
Sources: IMF, EU

intense competition curb traffic from Europe and the US.

Japan remained the largest single source of inbound tourists to Australia in 1993, claiming 22.4 per cent of the total. This was shaded by combined visitors from other Asian sources, which took 22.7 per cent. New Zealand provided another 16.6 per cent of visitors, the US 9.4 per cent, UK/Ireland 8.1 per cent and other European countries 10.5 per cent.

While less numerous than their Asian counterparts, UK/Ireland and other European visitors probably contributed more to the Australian economy because their average stay was around 40 nights compared with just nine nights for Japan and 32 nights for other Asian countries. The main reason for the discrepancy appears to be that UK/Ireland and European visitors come mainly to see relatives

while most Asians come primarily for holidays.

ANZ McCaugham's analysis concludes that Australia's inbound tourism record over the past decade largely reflects the emergence of the country as an inexpensive place to visit. A weakening currency has helped, but the brokers calculate that the cost of tourism related services in Australia are now among the lowest in the industrialised world.

"Australia's tourism infrastructure is generally adequate for present needs and there is every indication that it can respond quickly to actual and estimated changes in tourism plans," the analysis said. "The national attractions of Australia are such that great opportunities exist in the growing eco-tourism market, reflecting in part the preferences of travellers for more active, participatory or experiential travel experiences."

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More bumps on road to reform

□ Contd. from Page 1

It is over the medium-term that the clouds start to loom. Unemployment has been slow to fall in Australia, and is expected to average a little under 10 per cent in 1994. The government responded earlier this year with a comprehensive package of measures, including a promise of subsidised employment or training for all long-term unemployed. It was costed at A\$6.5bn over the next four years.

But rather than fund the package with new tax measures, which could have been politically troublesome, ministers chose to utilise the "growth dividend" - the higher than expected tax receipts flowing from the country's rapid economic recovery. That, in turn, meant that there was no scope for accelerating the government's deficit reduction plan in the 1994 budget, which repeated the previously-stated aim of cutting this to one per cent of GDP by 1996-97. More recently, there have been suggestions that fiscal strategy may be reviewed next year. But analysts are sceptical.

An even larger cloud on the horizon is the current account situation. This has been a bugbear for Australia in the past, with an upturn in domestic activity tending to lead to a surge in imports. In part, to meet capital investment requirements. As the trade balance has gone out of kilter, interest rates have been forced up, and a "boom and bust" scenario has developed.

This time, the anticipatory response has been twofold. There has been an all-out effort to promote Australian exports, most notably to Asia, which now accounts for over 60 per cent of the country's trade. And there is an attempt to lift the country's low saving rate, through changes to the pension/superannuation system.

It is in the context of the former strategy that Australia's desire to establish a "free trade" zone in the Asia-Pacific region assumes considerable importance. The Asian Pacific Economic Cooperation group is due to meet this month to consider a report seeking the goal of free trade in all goods and services by 2020, with more developed nations lowering their barriers at a relatively faster rate. Australia is expected to push the proposal hard. At this stage, it would be a

brave individual who tried to predict whether enough change had been wrought to break the previous cyclical pattern. Government ministers say yes; some local business leaders, and many Asian competitors, say no.

"Reviewing the scorecard, I'd give us about five out of 10 for our current policy mix," remarked Don Mercer, head of the ANZ banking group, earlier this year. "Unless we commit ourselves to picking up the reform agenda, we stand a pretty good chance of wasting the best opportunity in decades to secure the sustained recovery we deserve to have."

Perhaps all that can be said with certainty is that the balancing act is a delicate one on which political fortunes will undoubtedly ride.

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مكتبة النجف

GREATER ATLANTA

Tuesday November 1 1994

The essence of other cities may be culture, high finance, beauty or glamour. But Atlanta has commerce in its heart.

The city prides itself on being a place where people can succeed, and where business success is prized above all.

"The whole tone of the city is one of aspiration," says Mr Alf Nucifora, a top local marketing consultant, who came from Australia some 20 years ago and rose to prominence.

While dreadfully prone to boosterism, Atlantans say their hometown is characterised by a "can do" attitude. Defeatism and "thinking small" are anathema here.

Although the heart of Atlanta is business, it is not a city that is money mad. It is more that Atlantans are single-minded in the pursuit of "making it," whether it be a successful dry cleaning shop or a leading worldwide television network - CNN.

Atlanta's attitude is perhaps a product of its history. Originally a simple railway town known as Terminus, it changed its name in 1845 to the grander-sounding Atlanta.

After being razed by Union Gen. William Tecumseh Sherman near the end of the Civil War, it rebuilt itself from the ashes to once again thrive in the late 19th century as a railroad town. Fittingly, Atlanta's symbol is the Phoenix.

Entrepreneurial spirit always seems to have powered the town. In the 1880s, a shrewd businessman by the name of Asa Candler saw the immense possibilities of marketing sweet fizzy water and built the foundation of the Coca Cola empire. Coca Cola's worldwide headquarters remains here today.

It has been the leading business city of the South for several decades, but it now aspires to more. It wants international status. Although some snigger, Atlanta wishes to be the "next great international city," in the same league as New York or Los Angeles, London or Rome.

The 1996 Olympics, which will be held here, are widely believed to be the lever for catapulting the city to international standing. And Atlanta is



City skyline: originally a simple railway town known as Terminus, it changed its name in 1845 to the grander-sounding Atlanta. Today its economy is expanding rapidly - see report, page two

Where business success is prized above all

Atlanta has been the leading business city of the American South for several decades, but it now aspires to even greater things. The 1996 Olympics are widely believed by Atlantans to be the lever for catapulting the city to international standing, writes **Barbara Harrison**

putting every ounce of its energy into trying to make the Olympics a marketing opportunity for the city as well as the state of Georgia, of which it is the capital.

Since August 1993, the Chamber of Commerce has run an international advertising campaign using the Olympics to boost the city on CNN International. The ads are part of a five-year, \$10m-plus marketing program by the Chamber.

Mr Nucifora is also trying to

raise \$5m for another campaign to market Atlanta in the run-up to the Olympics. He hopes the theme of the new campaign will replace the old slogan "The City Too Busy To Hate," which has endured since the days of the struggle for civil rights and is now clearly outdated.

The new slogan will be about aspirations and dreams, a theme endorsed by nearly 90 per cent of those he has queried.

At the same time, the Governor of Georgia, Mr Zell Miller, has appointed a group of business leaders to orchestrate a high level, individually targeted marketing effort called "Operation Legacy." It is hosting a series of invitation-only tours of Atlanta for top companies and individuals which might invest here. The best prospects will be invited back to attend the Games.

While not yet of international stature, Atlanta has

much to boast about. Already home to representative offices of more than 730 of the Fortune 1,000, it is consistently rated as one of the most desirable cities in America in which to relocate a company or start a new business. This year, Atlanta was the winner of the 'Best Cities for Small Business' award by Entrepreneur Magazine. It also topped the World Trade Magazine's recent list for the best ten US cities for global companies.

Good location and transportation facilities continue to be Atlanta's main economic attractions. By air, 80 per cent of the American population can be reached within two hours. Atlanta's Hartsfield International Airport, with over 1,500 daily flights, including some 300 international flights a week, is rated the world's second busiest. An average of 50m passengers a year pass through Hartsfield, which has just opened a new

international concourse that can process 6,000 passengers an hour. Although mired presently in downsizing, Delta, one of America's top three air carriers, calls Atlanta home and accounts for about 80 per cent of the airport's passenger traffic.

Atlanta is also a leading distribution centre for goods moving over land. Three interstate highways intersect the city.

Continued on page two



Atlanta's preparations for the 1996 Olympics are well advanced

IN THIS SURVEY

Investment keeps the economy bubbling: Atlanta is pinning many of its economic hopes on what the 1996 Olympics will render, reports Barbara Harrison.

City's influence on regional politicsPAGE 2

Banking: big regional contrasts.

Preparations for the 1996 Olympics; personality profile, Billy Payne, an Olympic altruistPAGE 3

Property market trends. Transport and tourism developmentsPAGE 6

Company profile: Coca-Cola, the world's best known trade mark.

Telecommunications: decade of growth for Atlanta-based BellSouth.

New Opportunities for minority-owned businessesPAGE 7

International spotlight on the Carter Centre.

Aggressive expansion by CNN television network.

Visitors' guide: key facts about metropolitan AtlantaPAGE 8

Editorial production: Michael Wiltshire



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FORTUNE Magazine, CEO Survey, 1993, #1

Baring Advisors Consensus Forecast, 1994, #1

Entrepreneur Magazine, Best Cities for Small Business, 1994, #1

World Trade Magazine, Top 10 American Cities for Global Companies, 1994, #1

Metro Atlanta leads the nation in a host of key economic indicators. During 1992 and 1993, metro Atlanta was first in the number of new jobs created and new housing permits issued. In national and international survey after survey, Atlanta comes out on top as the best market to locate a new business facility or to expand an existing enterprise.

Atlanta's unmatched accessibility, affordability and attractiveness make it the city to beat in the 1990s. As home of the Centennial Olympic Games, Atlanta is undergoing a \$2-billion renaissance of private and public investments to prepare the region to host the world during the summer of 1996.

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Nation's leader in housing permits - 35,991 - 4th highest number in U.S. history
150 Major Corporate Entries in MSA
4-million square feet of office space absorbed
8.8 million square feet of industrial space absorbed

EVEN MORE IN 1994!!

Job growth projected between 85,000 - 90,000
January - August - 22,200 Housing Permits
January - September - over 150 Major Corporate Entries in MSA
January - September - 2.7-million square feet of office space absorbed
January - September - 7.5-million square feet of industrial space absorbed

FORWARD Atlanta

Atlanta
Chamber of Commerce

photo courtesy of Presentation Services, Inc.

GREATER ATLANTA 2

The city's prosperity has lured more and more companies to 'Hotlanta,' as the boosters are fond of calling it

Favoured US venue for business relocation

Continued from Page 1

For rail distribution, CSX and Norfolk Southern Railroads operate 80 freight trains in and out of Atlanta daily. Telecom capacity is high, with more fibre optic cable laid than any city in the US. BellSouth, one of the leading Baby Bells, has its headquarters in Atlanta as does Turner Broadcasting and Turner's worldwide news network CNN.

If short on sophistication, Atlanta's quality of life is high at a modest cost compared to other large cities. Housing is moderately priced. Recreational amenities include an ample supply of golf courses, tennis clubs and city parks. Nearby, Lake Lanier is used for water sports, and the southernmost Appalachian mountains offer great hiking.

Its attractions have made

Atlanta a boom town. The prosperity has lured more and more people to "Hotlanta," as the boosters are fond of calling it. Between 1984 and 1993, 1,506 new companies, including 361 foreign firms, have relocated to Atlanta, investing \$80bn and helping to create a net increase of 487,600 jobs. Between 1980 and 1990, Atlanta's population grew 32.5 per cent to 2.83m. Last year, an estimated 36,000 people arrived in metro Atlanta, driving up housing construction by about 40,000 units.

Even with all of the city's appeal and formidable energy, there are still some who worry that the 1996 Olympics may not bring the glory to Atlanta that is expected. These sceptics say that the Olympics may prove that Atlanta lamentably believed its own hype and over-reached itself. A city of

Atlanta's size with a more modest opinion of itself would probably have never even attempted to lure the Olympic Games. But Atlanta dared and won. And for the moment, the \$1.5bn worth of Olympic preparations are reported to be on schedule and on budget.

Between 1984 and 1993, 1,506 companies, including 361 foreign groups, set up business in Atlanta. Britain and Japan are leading overseas investors

Perhaps because so many have come here and done well, Atlantans feel a deep affection for the city. This has in turn led to one of its greatest distinctions: the business community is perhaps the most civically active in America. They not only give money to community causes, they give time and energy. They chair arts and

community development committees, raise money for charities, clean up public parks, and volunteer for The Atlanta Project, the local anti-poverty programme of the former US president, Jimmy Carter.

It is a point of pride for business and professional people to

be involved in community affairs. Mr Wyck Knox, a senior partner at the Atlanta law firm of Kilpatrick & Cody, has civic commitments that require a significant amount of his time, but he observes: "People in business and professional circles are interested in making things happen here."

He admits civic involvement

is also good for business - and he adds that "it's important in Atlanta to be perceived as doing something useful for the community."

Another of Atlanta's distinctions is its ability to maintain racial harmony when so many other American cities have been riven by racial animosities. Despite the fact that the central city is predominantly black, while the larger metro area is predominantly white, Atlanta's black politicians and white business elite long ago recognised the value of racial harmony for economic growth.

While all is not sweetness and light between blacks and whites, Atlanta's mayor, Mr Bill Campbell, who is black, says, that race "has not been a hindrance to finding common solutions or trying to work together." Black-white relations have been helped by the

presence of a very large black middle class. With the biggest concentration of top black universities in America and an affluent black business community, Atlanta is considered a "Mecca" for ambitious young blacks throughout the US.

In addition, as the birthplace of Dr Martin Luther King Jr., Atlanta proclaims itself the cradle of the civil rights movement. The King Center, which attracts nearly a million visitors a year, is receiving a facelift in anticipation of the Olympics year.

The 1996 Olympics will allow Atlanta to be on the international stage, at least temporarily. But whether it stays there will depend on whether it carries off the event with maturity and aplomb or overdoes its self-promotion. If it makes the latter mistake, it may simply look tastelessly opportunistic.



Atlanta is the state capital of Georgia. Convention and trade shows bring in \$1bn annually to the metropolitan area. It is a leading distribution centre in the US for goods moving over land. The city has representative offices of more than 730 of the Fortune 1,000 companies. Atlanta has 19 career consulates and 32 honorary consulates; 13 foreign chambers of commerce; and 32 foreign owned banks.

For more facts on Atlanta, see page eight of this survey.

Diversity of business sectors has helped Atlanta weather financial setbacks

Investment keeps the economy bubbling

Atlanta is pinning many of its economic hopes on what the 1996 Olympics will render, reports Barbara Harrison

The economic outlook for Atlanta is as cloudless as its best summer day. The 1996 Olympics have only strengthened what already was a strong positive trend.

"The Atlanta economy continues to expand at a healthy pace with no evidence of serious slowing," comments Mr Don Ratajczak, director of the Economic Forecasting Center at Georgia State University in Atlanta.

Atlanta suffered only the mildest of downturns during the 1990-1991 US recession. Although the collapse of Eastern Airlines helped produce a net job loss of 20,500 in 1991, that has been the only negative figure for jobs in the entire decade between 1984 and 1993, see table below.

In the ten years between 1984 and 1993, 487,600 net new jobs were created in Atlanta,

including 88,500 in 1993. (And, through the first six months of this year, Mr Ratajczak says that job growth was 89,300 above the previous year.)

The diversity of Atlanta's economy, encompassing transportation, automotive manufacturing, wholesale distribution, sample retail, conventions and tourism, biotechnology, and telecommunications, has helped it weather the setbacks of any particular sector.

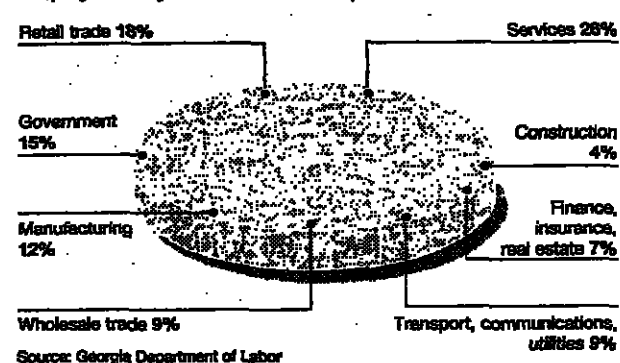
Furthermore, its attractive local business conditions have proven a magnet for investment. In the period from 1984 to 1993, 1,506 companies, including 361 foreign businesses, have relocated to Atlanta and brought \$80bn in investment.

Between January and June this year, 63 more new companies, including 13 foreign businesses, expanded or relocated in Atlanta. According to the Atlanta Chamber of Commerce, they represent a real estate investment alone of nearly \$60m.

Compared with the rest of the state of Georgia, metro Atlanta has been the overwhelmingly preferred site for relocation of foreign companies, which have more than

Atlanta's industry mix

Employment by sector



Source: Georgia Department of Labor

\$10bn invested in Georgia, according to a recent survey by KPMG Peat Marwick.

The survey of 741 foreign-owned companies in Georgia found that the top three investors were the UK with \$2.3bn, Japan with \$2.2bn and the Netherlands with \$1.5bn.

A Lou Harris poll last year found that Atlanta was the first choice for locating a new facility by executives from the International Fortune 1,000.

The city's relatively low operating costs, excellent transport facilities, reasonably

priced housing and many amenities have helped it consistently rank among the top choices for relocation by US companies. Atlanta and Georgia also offer a number of tax and other incentives that make the choice more attractive.

While investment has kept Atlanta's economy steadily bubbling, the Olympics has helped it become positively effervescent.

More than \$600m in Olympic construction is helping to drive a construction boom that was already under way in housing.

Another \$150m in city infrastructure improvements approved in July will push construction even higher.

Home building has risen not only with the drop in interest rates, but because Atlanta is drawing more people to it from other regions than any other city in America. More than 86,000 new people arrived in Atlanta in 1993, leading Mr Ratajczak to predict that nearly 40,000 new households will be built this year and next.

Some analysts have even suggested that speculative commercial building, which flooded downtown Atlanta with office space during the 1980s, could start again as early as next year.

Vacancy rates are headed down and real estate investment is looking up. In a survey of large institutional investors, the Real Estate Research Corporation recently rated Atlanta the top investment market.

"The Olympics co-incided with what was going to turn around, anyway," observes Mr Andy Krikelas, a regional economist at the Federal Reserve Bank in Atlanta.

Atlanta's key transportation industry is showing strong gains despite continued lay-offs by Delta, the third largest US airline which has its headquarters in the city. However, innovative airlines such as Kiwi and ValuJet are helping mitigate the effects.

The important business of trade shows and conventions - Atlanta ranks as the fourth largest convention centre in the US - has improved this year. And, according to Mr Krikelas, there may even be potential for more retail development now that "consumers are coming back." He believes Atlanta's economy is "pretty strong right now - and we expect it to remain strong through the Olympics."

Although healthy growth seems assured through the 1996 Olympics, there are questions about what will happen

afterwards. Measuring by the usual business cycle, it would be time for a recession.

But some expect that Atlanta's economic fix will not stop. The city's mayor, Mr Bill Campbell, says that many infrastructure projects will extend past 1996 and will help keep some buoyancy in the local economy. Mr Ratajczak also believes that construction will have a post-Olympic "soft landing" because commercial real estate will once again just be picking up.

Yet Atlanta is pinning many of its economic hopes on what the Olympics will render. Various campaigns to market Atlanta using the Olympics are underway and are largely dedicated to winning international investment.

"If Atlanta pulls off the Olympics and does well, we'll get a lot of free advertising," says Mr Krikelas. But if the event comes off badly, he warned that the city could be headed for a painful hang-over after the party.

Trends in the commercial property market: see page 6



Atlanta's symbol is the Phoenix: the area was rebuilt after being razed by Gen William Tecumseh Sherman in the Civil War. Picture: Ashley Ashurst



TRADE BOOST: Mary Robinson, Ireland's president, met former US president Jimmy Carter at the Carter Center in Atlanta this month - see also the report on the Carter Center, page eight. President Robinson, who also attended a breakfast with local businessmen at the Atlanta Chamber of Commerce, aimed to promote trade relations and economic support for the peace process in Ireland. Picture by John Heston

Summary of Atlanta's decade of economic growth

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	Total
New jobs created*	97,500	66,700	61,000	52,900	45,600	28,200	30,700	(20,500)	36,000	85,300	487,600
No. of announced projects	309	515	437	568	578	407	290	195	123	134	3,823
Value of announced projects, \$billion**	10	12.3	8.8	15.6	14.3	9.1	3.8	3.1	2.0	1.4	80.0
Office space in millions sq ft	48	48	24	35	30	17	6	7	0.7	0.5	216.2
Hotel rooms built	11,040	11,025	10,156	6,376	3,842	3,950	2,208	775	390	0	51,505
Potential employment***	233,427	250,110	198,632	244,200	235,000	106,304	236,327	42,091	25,618	18,836	1,581,746
New companies located	168	226	180	146	123	150	130	123	125	129	1,506
International companies included in the above figures	46	50	38	27	50	39	36	26	23	26	361

*Indicates actual net increase (decrease) in the metro workforce, according to the Georgia Department of Labor; **Many of these projects will be developed in phases over several years. The full estimated built-out value is listed in the year in which the project was announced and not repeated in future years. ***Estimated potential employment, using industry averages if all projects are built to full expectation at the time of the announcement.

Source: Atlanta Chamber of Commerce.

REGIONAL POLITICAL SCENE

City's influence is still dominant

Atlanta's local political scene can be a little confusing at first glance - "there is no such thing as an Atlanta government," says Tim Crimmins, a Georgia State University history professor and local political analyst.

The reason is that metro Atlanta, with 2.9m inhabitants, is composed of the city of Atlanta, a relatively smallish central city, and ten far larger surrounding counties. And, just to complicate matters, another eight counties are considered by the US federal government to be within Atlanta's metropolitan statistical area.

Each county has its own governmental structure intact and no intentions of consolidating into a metropolitan government. Instead, Atlanta's various political entities co-ordinate their policy-making on issues such as water, transportation and tourism through the Atlanta Regional Commission and, most importantly, try to speak with one voice for the purpose of drawing outside investment.

"Co-operation has lessened the need for consolidation," said Mr Harry West, the Atlanta Regional Commission's chairman. But the city and the surrounding county governments compete fiercely for the prizes of economic development. And political tensions would no doubt be far higher if Atlanta were not the

economic juggernaut that it is.

Over the last few decades, the city has been losing more and more of its share of incoming investment to the surrounding suburbs. The shift has occurred over the last 30 years as the predominantly white, middle class suburbs have vastly grown, leaving the city of Atlanta with a predominantly black - and relatively poor - population of less than 400,000.

A political change has accompanied the population shift. The city remains a Democratic party bastion, while the suburbs are increasingly Republican and conservative. The leading right-wing Republican congressman, Mr Newt Gingrich, who represents some of Atlanta's northern counties, exemplifies the suburbs' political tenor.

Yet, despite some erosion of its power, the city's political influence is still dominant. It continues to be run by a working alliance of the white business elite and the black politicians who have held control of City Hall for over 20 years.

The city's mayor, Mr Bill Campbell, still plays the most crucial role in representing Atlanta. And he is a juggernaut. A graduate of Vanderbilt and Duke Universities, he is one of the most prosperous metropolitan areas in the US, he rules a central city that suffers from all the problems of crime, crumbling infrastruc-

ture, poor schools and insufficient revenues that besiege most of the big American cities. Fortunately, he seems especially apt at having a foot in both business and political worlds. A graduate of Vanderbilt and Duke Universities,



Atlanta's mayor, Mr Bill Campbell, plays the most crucial role in representing the city

two prestigious schools of the South, and a successful lawyer with a large Atlanta law firm, Mr Campbell is a generation away from the civil rights struggles that shaped the life of his parents and their contemporaries.

His two predecessors, Mr Maynard Jackson and Mr Andy Young, who had ruled

City Hall successively from 1973 to 1993, are of the earlier generation. Both men broke colour barriers for public office. Mr Jackson was Atlanta's first black mayor, and Mr Young was the first black US Ambassador to the UN. Mr Campbell's talk now is mostly about "running city government like a business," rather than racial issues. In this sense, he seems a man well-suited for the fiscally straightened 1990s - "we have to find ways of doing things cheaper and with fewer people," he says.

Having only been in office ten months of his four-year term, Mr Campbell says he has already shrunk the city's bureaucracy by 400 jobs.

The 1996 Olympics will assist Mr Campbell in dealing with some of the city's fiscal problems. Additional tax revenues will come in and the lion's share of \$1.5bn in Olympic investment will be in the central city, helping to keep unemployment low and improving several of the poor neighbourhoods through Olympic-related construction.

Adding to the construction boom, Mr Campbell won voter approval in July for a \$150m bond issue for much needed city infrastructure improvements. He says that roughly 30 per cent of the projects, especially those related to streets, bridges and parks, should be completed by 1996. He also wants to put more spark in the

city's financial management - "there is vast creativity in the financial world and we need to be less stodgy," he says. One new financial tool that he has heartily supported is the sale of tax liens to a private collection agency.

Mr Mitch Skandalakis, the chairman of the governing commission of Fulton County, wherein the City sits and which collects its taxes, initiated the tax lien measure. Recently approved by the commission, it will bring \$75m immediately into the county's coffers, 20 per cent of which will go to Atlanta.

Mr Skandalakis, who is running for re-election this month, says that if re-elected he will restart talks that he began recently with Mr Campbell about eliminating duplication of services between the city and the county so that both could save money.

Mr Skandalakis, who is white and conservative, also juggles political and economic interests, given that his county includes Atlanta and some of the northern suburbs that want little to do with the city. Despite their differences, Mr Skandalakis gives the most compelling reason for political cohesion in metro Atlanta. He says he wants to help Mr Campbell succeed as mayor "because if Atlanta fails, the whole area fails."

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VENUE FOR THE 1996 OLYMPICS

A once-in-a-lifetime opportunity

Atlanta stands to prosper much from the Olympics. In return, the guardians of the Olympic movement know they will get a superbly organised sporting extravaganza, delivered via the latest technology to several billion homes around the globe, writes Patrick Harverson

After visiting Atlanta for even a few short days, it is impossible not to marvel at the feat achieved four years ago, when the International Olympic Committee was persuaded to award the centennial games to this thriving, but in many ways unremarkable, American city.

In September 1990, most observers believed Athens would be chosen as host for 1996. Given the historic ties between the Greek city and the Olympics – the first modern games were held there in 1896, so there would have been a perfect symmetry in returning a century later – the allure of Athens must have been powerful. Atlanta, in contrast, was a city best known for having been razed to the ground during the Civil War. How could it possibly win against Athens?

Mr Billy Payne, the Atlanta lawyer whose idea it was in the first place to bid for the Olympics and who spearheaded the campaign to win the centennial games, is still not quite sure exactly how it happened. Suffice to say, he remembers the vote for Atlanta in 1990 as a "miracle". At the time, there was much cynical carping about how Atlanta won the games because, like Los Angeles in 1984, it would generate huge profits for the Olympic movement. Or because Coca-Cola, the long-time Olympic sponsor, was based in the city. Or because only American organisational know-how could cope with the logistic nightmare that the games had become.

However, Mr Payne, who is now president of the Atlanta Committee for the Olympic Games (ACOG), insists that Atlanta's victory had nothing to do with money, or corporate influence, or notions of competence – "we had a strategy... that at this most important time in sports history, the people who had the power to award the right to host these

games would do so to people that they trusted and that they liked. So we set about to do nothing more complicated than to assure them that they could trust us to take the Olympic movement into our custody at this important time, and do it great honour and justice. It was just that simple."

It was also a simple fact back in 1990, however, that Atlanta stood to prosper hugely from the Olympics, and the Olympics from Atlanta.

The latest economic impact study estimates that Atlanta and the state of Georgia will benefit to the tune of 80,000 jobs and \$5.1bn in direct and indirect spending, with a minimum \$200m in incremental sales tax revenue pouring into state coffers. In return, the guardians of the Olympic movement know they will get a superbly organised sporting extravaganza, delivered via the latest technology, and with the backing of some of the world's largest companies, to several billion homes around the globe.

All of the money needed to run the games will come out of private sector pockets (although a small amount of public funds will be spent on areas such as security, transportation and street repair). Yet, in spite of the financial success of the Los Angeles games, Mr Payne says that raising \$1.6bn has not been easy – "we started in a very difficult economy in 1990, and so it's happened a little bit slower than we wanted it to. Of the \$1.6bn, between the amounts already under contract through television revenues and sponsorships, and the

amounts that will come later from tickets, merchandising and concessions... we're about 92 per cent complete. So we've got to raise another \$150m, and we've already got the companies and product categories targeted."

Construction of the new Olympic stadium and the athletes village is well under way and on target to meet the completion deadlines. Of the \$1.6bn that will be spent on the 1996 games, about 35 per cent of the money will come from television (NBC paid a record \$456m for the US rights), another approximately 35 per cent from corporate sponsors (such as Coca-Cola, IBM, Visa International and Matsushita), 15 per cent from ticket sales, 10 per cent from licensing and related merchandising sales, and a final 5 per cent from the sale of Olympic-related assets after the games are complete. And in theory, when it is all over the Atlanta games should register a profit.

Inevitably, the people of the Atlanta, its community leaders and its politicians are keen to know how they will profit from the games.

Managing civic expectations, in fact, has been one of ACOG's toughest tasks. In 1990, it was hoped that considerable Olympics-related money would be spent on improving conditions in Atlanta's blighted inner city areas. Although some spending on infrastructure and services is planned, and \$8.1m has been pledged from the Woodruff Foundation to help spruce up some neighbourhoods, many of those expectations have not

been met. Over the past few years, the Corporation for Olympic Development in Atlanta (the body created by the former mayor, Mr Maynard Jackson, to lead the city's efforts to leverage the games) has identified \$238m in public works that it believes are needed in the city.

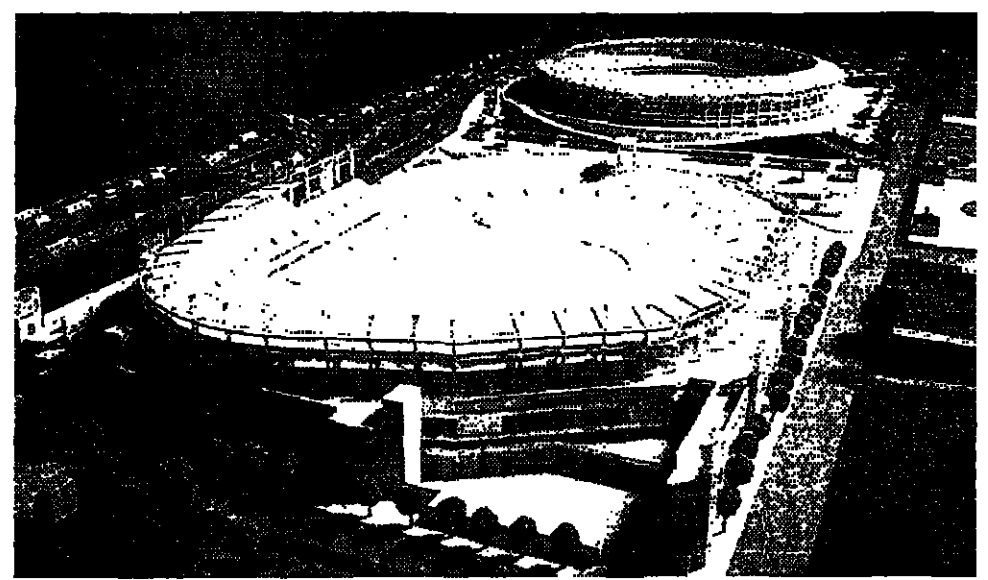
Yet, private sector funds have not been forthcoming for those works, which has created some bitterness within the community. Pressure groups like the Atlanta Olympic Conscience Coalition, which wants to see housing and development in the inner city neighbourhoods tied to the games, want the Olympics to do more for Atlanta's neediest communities.

While Mr Payne says that hopes were too high from the start, he admits that the city and the organisers were slow to address the needs of the local community – "there was originally an anticipation that it would not get done unless the Olympic committee paid for it. That was an unrealistic expectation," he says.

"Now, however, we have a very pro-active mayor, a state that is beginning to feel the Olympics extend beyond Atlanta, and a private community that supports the projects like the park [the \$50m, 60-acre Centennial Park that will be constructed in downtown Atlanta for the games]... but the Olympics are not a cure-all for every social issue that plagues this urban environment."

Arguments over who should benefit from the Olympics and how to divide the spending pie, however, are as old as the

games themselves. Ultimately, few in Atlanta are likely to complain that the Olympics should never have arrived on their doorstep. For a place that has been proclaiming itself as "the next great international city" for the best part of 50 years, the games are a once-in-a-lifetime opportunity to make an impact on the world stage. Atlanta, a city that does not exactly suffer from a lack of self-confidence, is primed to do just that.



Model of the 1996 Olympic Stadium, showing a rear view

Personality profile: Billy Payne, an Olympics altruist

A man with a message

It might be going a bit far to describe Billy Payne as an Olympic evangelist, but not too far, writes Patrick Harverson



Billy Payne: optimist

When Billy Payne, the president of the Atlanta Committee for the Olympic Games, discusses the centennial games to be held in Atlanta in 1996, he speaks with the passion of a preacher. When he steps out of his office on to his balcony with its view of downtown Atlanta, and spreads his arms wide to describe the planned layout for the new Olympic park, he looks as if he is ready to deliver a sermon to an assembled flock below.

Seven years ago, Payne certainly needed a strong sense of belief in himself – if not a higher being – when he came up with the idea of launching an Atlanta bid for the 1996 games. Most people at the time thought he was mad. Even three years later, when the city's highly professional bid had been submitted to the International Olympic Committee, few thought he stood much of a chance of succeeding.

However, since that day in September 1990, when the IOC

upset the odds and picked Atlanta over the sentimental favourite Athens, no one has made the mistake of underestimating Payne again.

A 46-year-old attorney and former star college American football player, Payne shares the lofty ideals and cheerful optimism of another Georgian who burst on to the world stage from relative obscurity – former president Jimmy Carter. And like Carter, Payne places a lot of faith in his ability to get people to trust and like him. The secret to Atlanta's successful bid in 1990, says Payne, was the fact that IOC members trusted and liked Payne and his team.

They must have also liked what he had to say – that Atlanta would do more than just put on a highly efficient games – "organisationally, logistically, technologically, we're going to be the best that the world has to offer. And yet, that's not a big enough goal. The Olympic movement is not about objective achievements, it's not about saying our venues were the best, or our transportation plan was the best. It's about whether or not we advance that which is good about the Olympic movement."

Furthermore, it is proof of the power of co-operation and friendship that Payne sees as the Olympics' lasting legacy. As he puts it: "I am unaware of an international idea that has ever been articulated that has the potential and the power of the Olympic movement."

That potential, of course, has not always been realised in past games – boycotts in Moscow and Los Angeles, terrorism in Munich. So when Payne spoke to IOC members about Atlanta's bid, he said of the Olympic movement: "It has often been abused and misused, and it's been 100 years boys, so let's get it straightened out now."

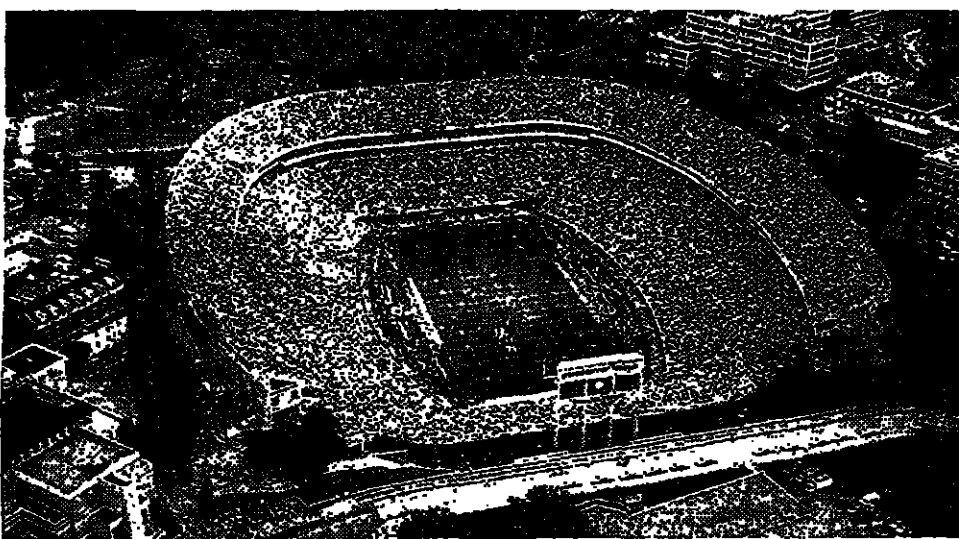
Today, the preparations certainly seem straightened out – most of the money for the

games is raised, construction of the Olympic stadium and the athlete's village is well under way. In spite of having to overcome some early political hurdles, Payne says he was always confident that Atlanta could put on a good show.

"The second we were awarded the games, and the words came out of President Samaranich's mouth – 'The city of Atlanta' – the success of these games was absolutely assured. There is now way the United States of America would not do whatever it took to meet or exceed the expectations of the world."

Atlanta, of course, should benefit hugely from the Olympics in terms of the local economy and the region's image in the US and the wider world. For this, Payne is a hero to many Atlantans, and people say that after the summer of 1996 he could run for, and win, political office in Georgia.

Billy Payne, however, is very much the altruist. Like another former president, he asks not what the Olympics can do for Atlanta, but what Atlanta can do for the Olympics – "if success is measured only in what Atlanta gets out of it, then these games will have been a horrible failure. We have got to give something back to the Olympic movement."



One of several sports facilities on a grand scale: Atlanta's soccer venue

Moves to counter an encroachment by the Carolina giants

Regional banking contrasts

The banks have benefited greatly from the robust health of the regional economy, which survived the 1990-1991 nationwide recession virtually unscathed, reports Patrick Harverson

To the dismay of some proud Georgians, three of the five biggest banks in the Atlanta region hail from North Carolina. Of the three out-of-state banks, two are based in Charlotte (Nationalsbank and First Union) and one in Winston-Salem (Wachovia). The lone Atlanta bank is SunTrust (which owns the venerable Bank South, the smallest of the big five).

The supremacy of the Carolina banks is a relatively recent phenomenon. In 1994, when the south-eastern compact – a series of agreements between states in the south-east to block takeovers of local institutions by banks from outside the region – was forged, Atlanta was the region's business capital, and its banks appeared well-placed to prosper accordingly.

However, over the following decade while Georgia banks were stifled by the weight of cumbersome and antiquated state banking regulations, North Carolina banks were expanding rapidly through aggressive acquisitions made possible by a much more flexible regulatory environment.

By the early 1990s, consolidation among banks in the south-east had created a new breed of "super regionals", and three such giants – NationsBank, First Union and Wachovia – were firmly encamped on Atlanta banks' turf.

The largest Atlanta-based bank before consolidation was the C&S Corporation. After a series of strategic blunders, it was taken over by NCNB of Charlotte in a deal that created NationsBank, now the biggest super regional in the US. First Union and Wachovia also bought banks from Georgia, and other south-eastern states.

The contrast between the development of banking in North Carolina and Georgia explains how the Atlanta banks lost their way, says Mr John Coffey, a bank analyst at the Atlanta securities firm of Robinson-Humphrey.

"North Carolina is almost a laboratory for banking. It's been so progressive. The state itself looks like what banking in the US will probably look like in 10 or 20 years. There are three big players who control 85 per cent of the market, and they are another 80 who control the remainder. In Georgia, there are 300 banks, yet it's a similar-sized market to North Carolina."

The encroachment of the Carolina giants, however, does not mean that Atlanta's two surviving big banks have languished these past few years. Quite the opposite. The conservatively-run SunTrust has become one of the most profitable banks in the country, and Bank South has performed a remarkable comeback from loan problems which at one point looked as if they might overwhelm the bank in 1991.

Both banks, as well as the three from North Carolina, have benefited greatly from the robust health of the regional economy, which survived the 1990-1991 nationwide recession virtually unscathed, and which continues to post above-average growth.

Mr James Williams, SunTrust's chairman, attributes a great deal of his bank's successes to the strength of the local economy. Under the stewardship of its safety-first management, SunTrust has achieved the remarkable record of never having reported a decline in annual earnings. In 1993, the bank earned \$474m, 17 per cent more than in 1992, and this year SunTrust is on target to record earnings growth of 10 per cent.

Although the bank's assets have grown from \$50m to \$400m in the past 10 years, Mr Williams says only half of that growth has come from acquisitions – the remainder has been derived from internal growth.

Remaining true to its conservative philosophy, SunTrust sticks to what it knows best: loans to mid-sized companies; its long-established trust business, which serves the needs of many of Atlanta's richest families; retail banking and mortgage lending; and fund management. The bank also owns a big stake in Coca-Cola which it has held since helping the company go public in 1919, and which is now worth \$1.2bn.

Typical of the SunTrust strategy is its recent move into the mutual fund business. Since its entry last year, the bank has built up a stable of 19 mutual funds with assets of \$4.5bn. The funds are proving popular and profitable, and the bank's chairman admits they were a bit tardy in exploiting the mutual fund boom – "we should have been in earlier," says Mr Williams, "but we got in carefully. When we did it, we did it right, and we are now highly successful."

In sharp contrast to SunTrust's steady but unspectacular progress, Bank South's recent history resembles a rollercoaster ride. In 1991 the bank was close to failure, burdened by too many problem property loans, but new management arrived that year under the leadership of several former C&S executives, including turnaround

expert Mr Patrick Flinn.

With Mr Flinn as chairman, Bank South cleaned up its loan book, and rebounded strongly, forging a name for itself as Atlanta's community bank. With more than 80 per cent of the bank's business in the Atlanta metropolitan area, it fully deserves that title. As Mr Coffey of Robinson-Humphrey explains: "They're the local independent bank that is more willing to serve you than those Yankee interlopers from North Carolina. That's the way they position themselves."

An aggressive and innovative marketing campaign, some astute acquisitions in the metropolitan region, and several fast-growing businesses including mutual funds and discount broking, have all helped turn Bank South into Atlanta's premier retail bank.

The successes of SunTrust and Bank South means they are regarded as juicy targets for takeover by larger banks in the region, or from outside the south-east (the region's compact is in the process of being dismantled, and interregional banking will soon become the norm).

For Bank South, the prospect of being taken over does not seem to have quelled its appetite for expansion – "of all of them, Bank South is probably the most acquisitive," says Mr Coffey. "They will probably continue to cement their franchise in Atlanta. At the same time they are the most often-mentioned takeover target, just by virtue of their size. As a result, their stock price reflects it."

The analyst, however, does not think that anyone will make a move on Bank South soon – "no one could buy them without incurring significant earnings dilution. Their [defence strategy] is independence through performance, rather than through size."

Size, however, may prove a good defence for SunTrust. That, at least, is the belief of its chairman Mr James Williams, who says the bank's size (assets of \$6.6bn), plus the premium that any acquirer would have to pay, makes SunTrust too much for most banks to swallow.

A merger of equals involving SunTrust is seen by analysts as a more likely outcome, and Wachovia of North Carolina is regarded as the bank that would make the snuggest fit. For the moment, however, SunTrust is concentrating on growing its earnings and completing a massive share buyback programme – it has already spent \$300m on acquiring 7m shares and has the approval to buy another 5m – and shying away from talk of acquisitions and mergers.

Mr Coffey says of SunTrust's management: "I think they see more value in paying for their own stock than someone else's."



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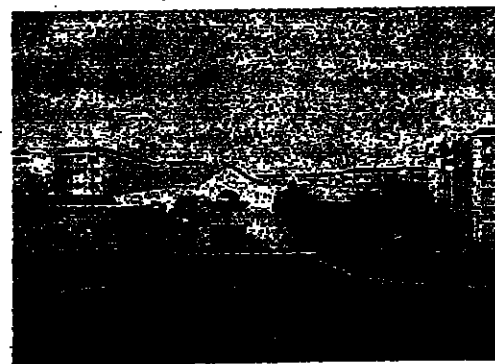
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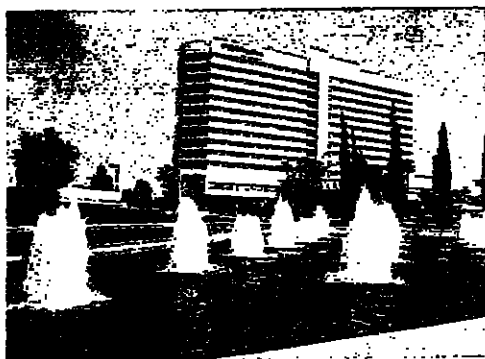


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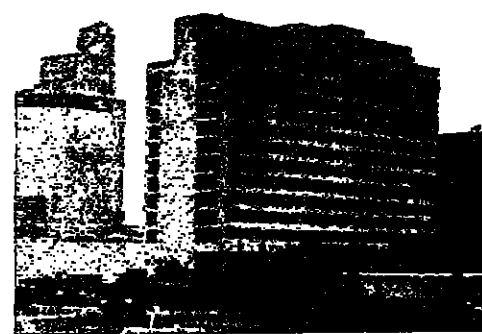


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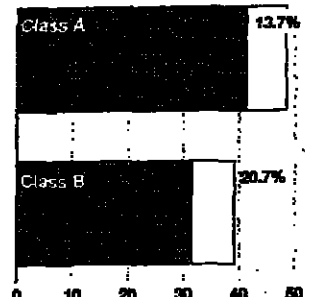
First National Bank in Broad Street, Atlanta

Picture: Veronica Gribut

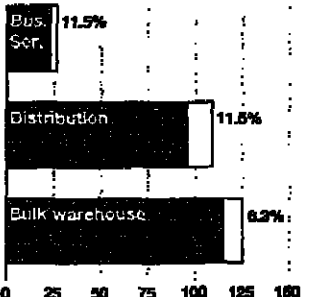
Atlanta commercial property markets

■ Occupied □ Vacant (% of total)

Office (Sq ft m)

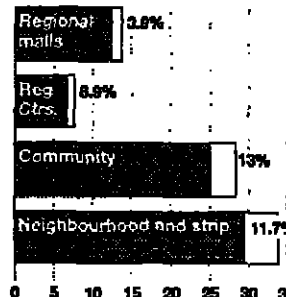


Industrial (Sq ft m)



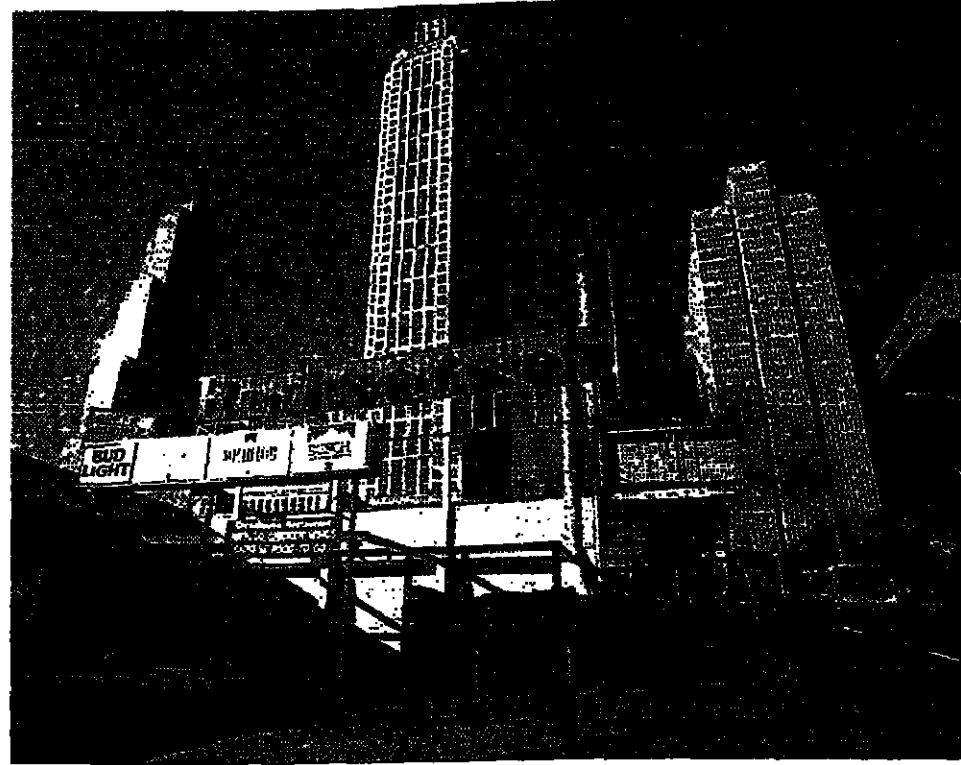
Figures for year-end 1993

Retail (Sq ft m)



■ OFFICE MARKET	Million 1993	sq ft 1992	■ INDUSTRIAL MARKET	Million 1993	sq ft 1992	■ RETAIL MARKET	Million 1993	sq ft 1992
Total market	86.2	87.4	Total market	251.0	255.1	Total market	82.1	78.2
Vacancy space	14.5	17.8	Vacant space	22.4	25.4	Vacant space	8.8	9.5
Under construction	0.0	0.4	Under constrcn	2.5	2.3	Under constrcn	1.8	2.7
New space added	0.3	3.0	New space added	5.9	3.9	New space added	3.9	0.8
Net absorption	3.0	2.6	Net absorption	8.8	7.9	Net absorption	4.6	1.4
Vacancy rate	16.8%	20.3%	Vacancy rate	8.9%	10.0%	Vacancy rate	10.7%	12.1%

Transactions in the industrial property market involved 25.1m sq ft in 1993, compared with 22.5m sq ft in 1992. Sublease space in the office market in 1993 was 2.4m sq ft in 1993 compared with 1.9m sq ft in the previous year. Data sources: Jantzen Research Inc; Carter O'Connor International



Shopping venue: the Peachtree Centre in central Atlanta

Veronica Gribut

TRANSPORTATION

Fanfare for new airport facilities

On September 21, Hartsfield Atlanta International Airport opened its new \$305m international facility - Concourse E - with as much fanfare as it could possibly muster.

Hartsfield's managers had good reason to create as much hoopla as possible, for the facility's opening was the first positive news at the airport in a long time.

From 1992 until just two months ago, when the name Hartsfield appeared in headlines it was more often than not accompanied by the words "scandal" and "corruption." An investigation had uncovered corruption in the airport's concession business. Some of the leading figures in Atlanta's city council, including Mr Ira Jackson, the former aviation commissioner whose responsibility it was to run Hartsfield, were found to have accepted bribes from a company which had been awarded valuable contracts to run some of the airport's concessions business.

Since that investigation, Mr Jackson and several other

defendants, including the operator of the airport's Paradise chain of shops, have been convicted of various bribery, fraud and conspiracy charges.

The concessions scandal did more than just sully the airport's and the city's reputation. The slow progress of the investigation and the court cases delayed the raising of new funds for the airport and the completion of important projects, including the construction of Concourse E and the building of a huge new atrium at the main terminal.

Ms Angela Gittens, who was given the task of restoring Hartsfield's reputation when she was appointed Atlanta's aviation general manager in November 1993, admits that morale at the airport was very low when she arrived - "we'd been wallowing for quite some time... decisions were not getting made. We couldn't go forward [with the new concourse] because the principal concessionaire was involved in the scandal. It held up lot of things."

The delays set back the

international concourse project, and the cost of the facility ballooned from an originally projected \$244m to more than \$300m. Consequently, Ms Gittens made opening Concourse E on schedule her top priority last November. It was a struggle at first, she says - "It was about dealing with all of the pieces. To finish the terminal we had to get the financing. To sell the bonds we had to get [certain] agreements with the airlines. To get the agreements with the airlines, several issues outstanding had to be settled... we moved forward, piece by piece."

The airport's managers, however, now believe the worst of the scandal is behind them, although there is still some controversy over the fact that the company at the heart of the corruption scandal - Paradise - continues to operate its Hartsfield concessions. Under Ms Gittens, however, the system for awarding concessions contracts has been changed - "we are now looking for business acumen [from bidders], not political influence," she

says. Ultimately, the hope is that the opening of Concourse E and the completion of the main terminal atrium will focus attention on Hartsfield's future, not its past.

Concourse E is both an impressive sight - it is the largest international airport terminal in the US - and an important addition to Hartsfield, which had outgrown its previous international facilities. It has 24 gates with room for another ten, and it can handle up to 6,000 passengers an hour, compared to just 3,400 in the old concourse.

Hartsfield needed a new international facility because its non-domestic traffic, currently five per cent of total passenger traffic, is expected to grow in coming years, especially to and from Latin America. This is primarily a reflection of the airport's reputation as an excellent connecting hub. Traditionally, Hartsfield has handled more passengers joining connecting flights than "origin and destination" passengers, but that is changing. While origin and destination

passengers accounted for just 26 per cent of total traffic four years ago, today they account for 40 per cent - "we're no longer just an airport where people change planes," says Ms Gittens. In some ways, Hartsfield is a microcosm of the US commercial aviation business. In 1991, the economic recession and the financial crisis among many domestic carriers led to a sharp drop in passenger traffic and revenues, especially after Eastern Airlines, which used Atlanta as a hub, went out of business.

Yet, the industry - and with it Hartsfield - has been slowly recovering from the losses and turmoil of the early 1990s, aided by the growth of the local economy and the arrival of a number of new, predominantly low-cost airlines. The business which was lost when Eastern collapsed has been more than recouped with business from new start-up carriers such as ValuJet, Air South and National Airlines, all of which fly out of Hartsfield.

Ms Gittens says that "in some ways, Eastern's demise -

while unfortunate in terms of the economy of the area and jobs - created some opportunities for other carriers, and for more origin and destination traffic. And it offered the Atlanta area flying public some opportunities for lower fares."

Hartsfield has been fortunate in that it has not borne the brunt of the downsizing by Delta. The financially-strapped airline is headquartered in Atlanta, uses the airport as its main hub, and is the region's biggest private employer. Although Delta is in the mid-

dle of a huge cost-cutting programme, Ms Gittens says the carrier has been expanding its operations at Hartsfield recently. For now, Atlanta's airport looks well set for the future. The Olympic games in 1996 will give it a chance to grab the spotlight, and see how well its new international concourse handles a sudden inflow of overseas passengers. They are likely to be impressed. Hartsfield is user-friendly, with well-designed terminals connected by an efficient under-

ground rail system, and linked to Atlanta by a fast and cheap rapid-transit line, the Marta. These assets have not been overlooked by passengers. For the past four years, Hartsfield has been selected the best airport in North America by readers of *Business Traveler* magazine. With its new international concourse, and soon a handsome new atrium in the main terminal, Atlanta's airport is aiming for five in a row.

Patrick Harverson

Terminal buildings at Hartsfield International Airport which is said to be the second busiest airport in the world, handling 50m passengers a year and an average of 1,500 flights a day

Veronica Gribut

Coming soon: The 'Gone With The Wind' theme park

Bringing a legend to life

There is little in Atlanta that would call to mind the legendary Tara plantation of *Gone With The Wind*. Historians are fond of noting that the sprawling, becolumned southern mansions of the type made famous by Hollywood never existed this far inland. Even the ramshackle house where Margaret Mitchell penned her famous book has been destroyed by fire.

Tourists, take heart: after years of residing only in the pages of Ms Mitchell's novel and on the silver screen, Tara - and its sister plantation, Twelve Oaks - will at last have a home in Atlanta - or at least close to Atlanta. A California company has announced plans to build a "Gone With The Wind Country" theme park near the tiny village of Villa Rica, about 32 miles west of the city.

Scheduled to open in the spring of 1996, a few months before the summer Olympics, the \$50m park will be aimed at a mature audience interested in how the film was produced. Developers hope the main attractions - replicas of the Tara and Twelve Oaks film sets - will draw \$50,000 a year of the more than 150n tourists who visit Atlanta annually.

The park, expected to employ between 150 and 300 people in its first year, will feature horseback riding, a \$10m golf course, a \$35m hotel and a \$17m condominium development, bringing the overall cost of the complex to more than \$100m by 1997.

The citizens of Villa Rica, a community of 4,000 on Atlanta's "forgotten" west side, already are seeing dollar signs. The town describes itself in tourist literature as a "City of Gold", and with the construction of *Gone With The Wind* Country in their back yard, residents believe they may finally have struck the mother lode - "property values are already going up," says Jeanne Williams of the Villa Rica city council. Her concern is whether the town is ready to cope with the increased traffic and congestion the 1,200-acre park will bring to this rural community, which until now had largely escaped development.

Neal McCreary, a Villa Rica property agent, says that Ms Williams has nothing to fear except the loss of some of Villa Rica's small-town charm. "All the revenue the park will generate doesn't represent any strain on our infrastructure," he says. "The park itself will not put one additional child in our schools. That's a good type of revenue to have coming in."

Andy Henshaw, city manager at the city hall, predicts that the park will double tax revenues to the town within three to four years - "everyone is elated that we're getting the *Gone With The Wind* theme park. The city council has been supportive, and most of the citizens can't wait until it's built."

The city's business commu-

nity is also eagerly awaiting the development of the park - "this is a dead town," says Grady Vickery, manager of Dangar's Feed & Seed. "There's nothing here to attract people. An attraction like *Gone With The Wind* Country isn't going to hurt anything."

He expects the park to give an immediate lift to local hotels and restaurants, and hopes that he can cash in, too - "It's Tara, right? They might have to have something like hogs on that farm. Those animals have got to eat."

Whether *Gone With The Wind* County will share its riches with the likes of Mr Vickery, remains to be seen, but Mr Henshaw believes the park will turn Villa Rica into a land of opportunity - "a lot of our citizens are under-employed to some degree," he says. "What we hope to do is provide good-paying jobs so they can support their families."

The cost to the city for the park and the opportunities it may bring is estimated at \$16,000 for extension of water and sewer services. Acquisition of right of way for new roads may add to that figure. County, state and federal governments are pitching in for a highway overpass in an incentive package valued at more than \$3m.

Snags in the highway overpass construction deal have already delayed ground-breaking on the park by about a year, according to local newspaper reports. But park devel-

oper Mark Driscoll says the project remains on schedule for a 1996 opening, the year of the centennial Olympics.

And Mr Driscoll hopes *Gone With The Wind* Country will be able to capitalise on the allure of a state that is already second in the South in terms of tourism, (behind Florida) and fourth in the country in convention attendances. Mr Driscoll is a former employee of Landmark Entertainment Group, which has designed and produced theme parks for MCA/Universal Studios, Busch Entertainment, Caesars Palace and Six Flags. He formed Georgia Holdings with Gary Goddard, Landmark's chief executive, and began searching the Atlanta metro area for a home for Tara in 1992. Turner Home Entertainment, which owns rights to the film, has licensed Mr Driscoll to develop a park using *Gone With The Wind* as a theme.

It is a theme that vividly defines the American South in the minds of many people across the world, including many Southerners. But privately, some local residents of Villa Rica worry that the park's portrayal of an era rooted in slavery might lead to racial tensions.

For his part, Mr Driscoll has promised to feature the contributions of African Americans to Southern culture through such facilities as music (the blues) and food, (barbecues).

David Morris

Atlanta in flames - a scene from MGM's classic film, *Gone With The Wind*

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مكتبات الصحف

It all began in Atlanta
— Richard Tomkins
looks at the remarkable
story behind the world's
best-known trade mark

Soft drinks company is at the forefront of Atlanta community projects

The home of Coca-Cola

Coca-Cola may not be the biggest company in Atlanta: in terms of sheer head-count, Delta, AT&T, BellSouth and Lockheed employ more people. But it is the company most commonly associated with the city, and without doubt the one with the strongest historical links to it.

Indeed, the company's best-selling product, the Coca-Cola soft drink, was born in Atlanta more than a century ago. According to legend, the first Coca-Cola syrup was brewed up in the city on May 8, 1886 by Dr John Pemberton, a local pharmacist, in a three-legged brass pot in his backyard. Dr Smith carried a jug of the product down the road to Jacobs' Pharmacy where it was tasted, pronounced good, and placed on sale as a soda fountain drink at 5 cents a glass.

Coke has come on a bit since then: today, it is the world's most ubiquitous consumer product, the world's best-known trade mark and by far the world's best-selling soft drink. If you include the company's other products — notably Fanta and Sprite — Coca-Cola accounts for nearly half the world's annual consump-

tion of soft drinks.

How did Coca-Cola do it? It helped that people liked the drink (ingredients of the early version included coca leaves and cola nuts, producing an exhilarating cocktail of cocaine and caffeine). But there was more to it than that.

Much of the company's early growth was attributable to the business acumen of Asa Candler, an Atlantan who bought the business from Dr Pemberton and greatly expanded it through innovative advertising. Then, in 1919, the Candler family interests sold the company to a syndicate led by Ernest Woodruff, another Atlantan, for \$25m — at the time, the biggest financial transaction the south had seen.

Before long, however, the company was in trouble. There were legal disputes with bottlers, sugar prices were rampant, imitators were rampant and sales were down. There was even talk that the company could go under. But in 1923, Ernest's son, Robert Woodruff, was elected president. This highly successful businessman was to lead the company for the next six decades. One of Robert Woodruff's most astute moves was to embark on a big interna-



Where it all began at five cents a glass: Jacobs' Pharmacy in 1886

tional expansion for Coca-Cola. To a large degree, the foundations for this expansion were laid during the Second World War when Woodruff declared it his objective "to see that every man in uniform gets a bottle of Coca-Cola for 5 cents wherever he is and whatever it costs the company."

The result was that 64 bottling plants were shipped abroad and billions of bottles of Coke were consumed.

The reason this proved so important was that the presence of Coca-Cola did more than lift the morale of the troops. In many areas, it gave people their first taste of Coca-

Cola — a taste they obviously enjoyed. And when peace returned, the Coca-Cola system was poised for the rapid international growth that continues today.

This explains one of the big differences between Coca-Cola and its rival PepsiCo, the US manufacturer of Pepsi-Cola. In the US, Coke struggles to out-sell Pepsi. But in the rest of the world, the only big markets which Pepsi has been able to dominate are those from which Coke was at one time excluded for political reasons, such as the former Soviet Union and the Middle East.

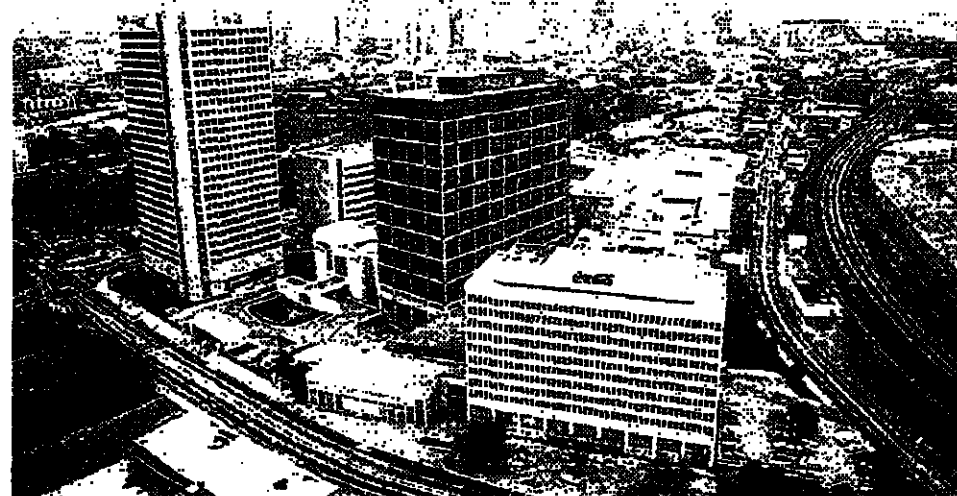
The result is that Coke now

gets about 80 per cent of its operating profits from outside the US, while the figure for PepsiCo's beverage division is barely 16 per cent.

Although Coca-Cola is easily the world's biggest soft drinks company, and growing bigger by the day, it cannot afford to relax. Recently, competition from private label colas has been an irritant in the US, Canada and the UK, and in the US Coca-Cola is having to react to the rapid growth of alternative beverages such as iced teas and fruit juice drinks, introducing its own range of "natural" drinks. But the company's strong profits growth suggests it is doing the right things: last year, net income rose by 19 per cent to a record \$2.2bn, excluding unusual items.

For Atlanta, it is just as well. Apart from the fact that Coca-Cola and its bottling affiliates provide employment for nearly 8,000 people in the city, the company has a reputation for being Atlanta's leading corporate citizen, pursuing a long-standing strategy of philanthropic involvement in the community.

This philanthropic involvement began with Robert Woodruff, whose contributions to Atlanta's arts, to cultural



Coca-Cola's headquarters complex in Atlanta: the company has the world's best-known trade mark and is easily the biggest international soft drinks company — and growing bigger by the day

organisations and to educational communities amounted to hundreds of millions of dollars over his lifetime.

The tradition has been continued by the company itself — not least through the creation in 1984 of the Coca-Cola Foundation, an organisation dedicated to supporting excellence in education.

Examples of the foundation's work in Atlanta over the last year or so include a \$2m contribution to Clark Atlanta University to support teacher education and to develop a School of Public and International Affairs; a contribution of \$1m to Morris Brown Col-

lege to support faculty chair endowments and the Presidential Scholars Program for African-American students; and a \$1m gift to Georgia State University for the renovation of the Bialto Theatre and two nearby buildings to help revive the historic Fairlie-Poplar district.

In the arts field, Coca-Cola makes contributions totalling more than \$1m a year to about 40 organisations. It recently pledged \$500,000 to the Martin Luther King Jr Center which aims to advance the non-violent philosophies of Dr King in the areas of training, research and education. And it made a

\$1m commitment to the Atlanta Project, an initiative established by the former president Jimmy Carter to fight poverty and homelessness in the inner city.

Atlanta's business leaders are unflinching in their praise of Coca-Cola's contribution to the city — "if every company were as community-minded as Coca-Cola, we would have a Utopian city here," says Mr Gerald Bartels, president of the Atlanta Chamber of Commerce. "They are always in the forefront of any community project with their money, with their leadership, with whatever it might take."

Decade of growth for Atlanta-based BellSouth

Largest of the Baby Bells

When American Telephone and Telegraph (AT&T) was broken up in 1984 and its local phone companies divided into regional operating companies, the Atlanta-based BellSouth was the largest, and fastest-growing, of the seven "Baby Bells."

Today, with annual revenues of more than \$16bn and assets of \$40bn, it remains the largest and fastest-growing Baby Bell. An indication that BellSouth has not wasted the opportunity during its first decade to build on the strengths evident at the company's birth.

Chief among those strengths was the potential of its local market. BellSouth has had the good fortune to serve nine states based in the country's fastest-growing region, the southeast. While much of the rest of the US endured a recession in 1990-1991, and a subsequent slow and uneven recovery, the southeast sailed through the stormy waters of the period relatively unscathed and today continues to lead the nation in the pace of its economic expansion.

Buoyed by an influx of both residential and business customers moving into the region from other parts of the US, growth in Bell South's access lines — the typical measure of a phone company's growth — has been the best in the industry. The company added 685,000 access lines in 1993, a rate it expects to top this year.

"The population migration into the southeast has been pretty steady for last couple of decades, and we get a direct benefit from that because people want communications," says Mr John Clendenin, chairman and chief executive of BellSouth since its inception.

The company has spent a lot of money over the years on its phone system in the region, an investment in technology which Mr Clendenin regards as crucial if BellSouth is going to maintain its growth rate.

Between 1988 and the end of 1993, the company spent a total of \$18bn on modernising its phone system. This year, another \$3bn is scheduled to be spent on upgrading the system's technology.

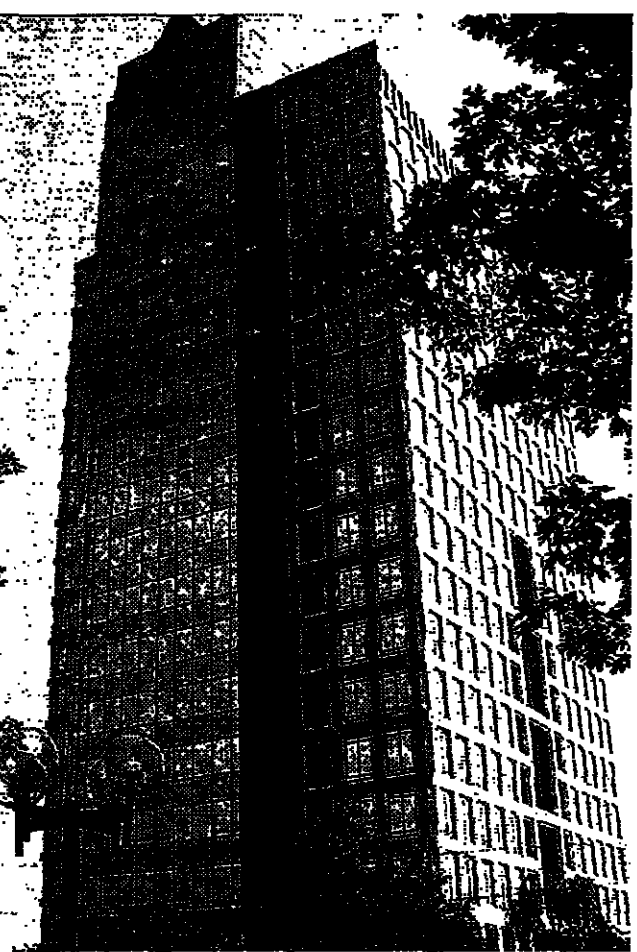
Heavy expenditure on technology is just one element of a three-part strategy BellSouth is pursuing — the others involve

an aggressive move into the wireless cellular phone, paging and mobile data businesses (especially overseas, where the company is now the world's largest cellular operator), and a more cautious foray into the cable television market, where the company hopes to benefit from the much talked-about convergence of the telecommunications, computer and entertainment industries.

Of BellSouth's careful entry into the cable television busi-

BellSouth's chairman describes the experiment — which the company hopes will be approved by federal regulators later this year — as "a fully interactive, fibre-optic system carrying communications and video programming into the home."

Prime Management, the 24th largest cable operator in the US which has been 22.5 per cent-owned by BellSouth since last year, is a key partner in the Atlanta test operation.



The headquarters of BellSouth in Atlanta which has the good fortune to serve nine states based in the country's fastest-growing region

ness, Mr Clendenin says: "We're a very active participant in the explorations going on. All of the Baby Bells are getting their feet wet in this. We have not gone into cable overseas the way some have, but we are trying to learn the same lessons."

Its first lesson will come from a planned deployment of video technology to 12,000 homes in the Atlanta suburbs,

which Mr Clendenin hopes will reveal the technology's potential — "we'll learn a lot about what the customer wants, what they'll pay for, how they'll use it: it will become a platform for wider deployment."

The partnership with Prime is typical of the BellSouth policy of seeking partners whenever it explores new markets. This strategy is readily apparent in many of the company's wireless businesses — such as its co-operative ventures with Intel, RAM Mobile Data and Ericsson GE to market mobile computing and cellular-paging products — but it is probably nowhere more evident than in its fast-growing overseas businesses.

Outside the US, BellSouth has concentrated its energies in developing a significant presence in an eclectic mix of national cellular markets. While the company will be the fourth largest cellular operator in the US when the Bell Atlantic-Nynex union is completed, it is the largest global cellular operator based in the US.

BellSouth has been pursuing its aggressive international strategy since the mid- to late-1980s, starting in Latin America and later France, Germany and other parts of Europe. The company is also moving into the near east (Israel), and the Far East — most notably China — and has long had a sizeable stake in Australia and New

Zealand. In most instances, BellSouth shies away from wired telecommunications systems because it believes the cellular business offers a much more secure foothold in foreign markets. As Mr Clendenin says: "Cellular in many of these countries has been a god-send. The telephone system in Caracas (Venezuela) was so bad that you couldn't get a call through even if you were the president. Cellular came in and bypassed the local system, and performed marvelously as a substitute for local phone service."

BellSouth's most exciting overseas adventure is arguably in Australia, where it supplements its cellular business with its partially-owned subsidiary Optus Communications, the country's second largest long-distance and business network service operator. The company is also moving into the currently undeveloped Australian cable television market with its usual team of local partners.

In some ways, BellSouth appears to be using Australia as a telecommunications laboratory. As Mr Charles Coe, president of BellSouth International, says of the company's business there: "It will define the full potential of the relationship between telephone and cable TV operators." He has such high hopes of the Australia operations that Mr Coe expects revenues from the country to reach \$1bn by 1996.

Expansion overseas, big spending on technology at home and new investments in the cable business — none of this comes cheaply, and like most Baby Bells, BellSouth has been working hard to contain its escalating costs.

The company, in fact, has been paring its payrolls since 1987, and last year that process culminated in the announcement of a plan to reduce the total workforce of about 80,000 by 10,200 before the end of 1996.

The cuts in the plan, which should realise annual savings of \$500m, come on top of previous workforce reductions totalling 4,500 jobs. To pay for some of these moves, the company took a restructuring charge of \$1.1bn last year.

BellSouth, however, faces a tough task subduing cost growth because its core business — providing phone services in the south-east — is expanding so fast.

"We have an unusual problem — a big growth rate... which has complicated the downsizing [process]," says Mr Clendenin. "We have to downsize with a scalpel — we can't not be there to provide service when you move into your home in Tuscaloosa."

Mr Clendenin, however, says that the company's target of reducing the workforce by 10,200 within the next two years could increase if circumstances dictate.

How this will affect the Atlanta-area — where 16,000 BellSouth employees work — is uncertain, because BellSouth has not provided a breakdown of where the cuts will be made. The company, however, is happy to point out that its business contributes an estimated \$2.5bn a year to the city's economy.

Patrick Harverson

Public contracts are vital to the success of minority-owned businesses, reports David Morris, but local competition remains intense

Over the past decade, the CD Moody construction company has worked on some of Atlanta's biggest building projects: Underground Atlanta, a large shopping mall and tourist attraction in the city centre, the Georgia Dome, site of the 1994 Super Bowl, and the new atrium at the ever-expanding Hartsfield International Airport. Not bad for a seven-year-old, black-owned company with only 47 employees on the payroll.

David Moody, the architect who incorporated the firm in 1988, believes Atlanta's progressive public policy has helped him to succeed.

"The city of Atlanta's minority participation program was a great help," says Mr Moody, whose company will generate \$2m in revenues this year. "They are serious about it... Because of it, I've been able to get my foot in the door."

Mr Moody's experience supports the argument of many economists that Atlanta is among the best places for African-American entrepreneurs to do business. But whether or not Atlanta is an oasis of black entrepreneurship depends to some extent on who one asks. Some Atlantans say the notion of the city as a "Mecca" for black entrepreneurs is a myth and point to statistics that show Atlanta lagging behind other metropolitan areas in minority business success.

According to a recent study by researchers at Clark Atlanta University, Atlanta barely makes the top-10 list of leading metropolitan areas in terms of black business growth.

Washington D.C., Houston and Sacramento beat the city in terms of black businesses per 100,000 African-Americans. And black-owned companies produce only 1 per cent of the Atlanta metro area jobs and less than 3.2 per cent of its business receipts.

Bob Holmes, a state legislator from Atlanta and co-author of the study The Status of Black Atlanta, says the idea of Atlanta as a benign incubator of black businesses is "overhyped" — the product of an effective but misleading public relations effort on the city's part. Most black-owned businesses in the city are marginal, he says, and points out that the African-American share of total business receipts has fallen since 1977.

Moreover, Atlanta's black entrepreneurs face the same obstacles as black entrepreneurs anywhere. Most business growth is in the suburbs, away from black population centres, and discrimination means black businesses have more trouble securing loans and doing business within the private sector.

According to the study, discrimination against black-owned businesses comes in many forms, showing up in "bonding, price differential... refusal to use [minority] subcontractors, bid manipulation... double standards in performance and qualification... slow payment and non-payment" and "exclusion from the 'Good Old Boy Network' in subcontracting."

The report acknowledges,

MINORITY-OWNED BUSINESSES

Catalyst for economic growth in black areas

however, that great gains have been made in opening up the public sector to minority-owned businesses, and many black firms are thriving in the rich Atlanta market.

Mr Moody's ability to build his business on lucrative government contracts is evidence of this, as is a study by Georgia Tech economist Thomas Boston now under way. Mr Boston argues that Atlanta, while not a Mecca, is a thriving centre of black industry and commerce.

"There is probably not another metro area in the country with as many programs for minority entrepreneurs," says Mr Boston, who cites contracting policies that require a minimum percentage of government business to be set aside for minorities.

Set-asides are mandatory for the city of Atlanta and Fulton County (in which the city is located), the Atlanta transit authority, and the Atlanta school board. Voluntary programs are in place at the Atlanta hospital authority and in neighbouring DeKalb County.

But black contractors still find it hard to break into the private sector. According to the Clark Atlanta study, Atlanta's minority contractors get 83 per cent of their revenues from the public sector and only 7 per cent from private markets. In contrast, white contractors

generate 80 per cent of their sales from the private sector. Mr Boston maintains that public contracts are a vital engine for growth among minority-owned businesses.

"These programmes allow market penetration by minorities... in areas that were heretofore closed to them," he says. This, he adds, enables minority businesses to build strong revenue bases from which to launch ventures into the private sector.

Meanwhile, Mr Boston argues, the atmosphere for black business in Atlanta is far better than the Clark Atlanta study suggests. First, he says, according to his own research, arbitrary census criteria for black-owned businesses have left nearly three black-owned firms not counted as such for every one that is recorded. Thus, he says, "the capacity of black-owned firms is greater than is commonly perceived."

In terms of average revenue, the rate of revenue growth, and the start-up rate, Atlanta ranks first among leading metropolitan areas. Most agree that there is a trend toward greater business growth in the suburbs at the expense of the city centre, where Atlanta's black population is largely concentrated. That business growth includes high-revenue black-owned

businesses, the presence of which in the suburbs parallels a movement by more-affluent blacks away from the city centre. But regardless of where they are located, black-owned businesses are a catalyst for economic growth in the black community, no matter how dispersed that community is becoming.

"Black-owned businesses on average have 85 per cent black employees," Mr Boston says. Atlanta's black entrepreneurs, like minority business people across the country, face significant problems in the area of financing and credit, he adds. The amount of start-up and improvement capital available to black businesses is limited, according to the Atlanta Economic Development Commission.

In this sense, the city is a victim of its own success: the sheer number of businesses competing for loans often makes it difficult to secure financing. That, according to Mr Moody, should not be a deterrent to ambitious black entrepreneurs. If he had to start all over again in business, he says, he would do it in Atlanta.

"Construction is a tough business, and minority contractors have to prove themselves constantly. But as far as the public market is concerned, we're on an equal playing field now."

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Ambitious goals include conflict resolution in the world's trouble spots

Spotlight on the Carter Centre

The Carter Centre sits atop a hill overlooking downtown Atlanta, and the objectives of the institution set up by former president Jimmy Carter match its lofty location.

The centre, backed by millions of dollars in funds from individual donors, corporations and private foundations, is dedicated to "fighting disease, hunger, poverty, conflict and oppression through collaborative initiatives in the areas of democratisation and development, global health and urban revitalisation."

Although it has been pursuing these ambitious goals since 1982 when it was established alongside the Carter presidential library and museum, its work did not begin to attract much attention until more recently, when Mr Carter's high-profile role as a freelance foreign policy trouble-shooter focused the spotlight on the ex-president and the Carter Centre.

So active has Mr Carter been in tackling political problems around the world from his base in Atlanta that some foreign policy pundits have dubbed the Carter Centre the "State

Department of the South." The nickname, however, is not likely to be popular at the centre, which goes out of its way to emphasise that it has no ties with the federal government.

Its non-governmental, non-partisan status, in fact, is the institution's greatest asset when it comes to meeting its most challenging objective - conflict resolution.

Its independence from official political and diplomatic structures enables the centre to become involved in disputes without taking sides, and it allows the staff and Mr Carter to negotiate with political and military leaders who may be persona non grata in Washington and other capitals. As Mr Carter explained to an audience at his Centre last month: "I deal with the people the United States considers unsavoury."

Aside from Mr Carter's role last month in helping to facilitate the peaceful removal of the military government in Haiti and his efforts earlier in the year helping to cool tensions between North and South Korea, he and the Centre have been involved in less-publicised work in strife-torn coun-



Back from Haiti, Carter speaking at a White House news conference

tries such as Ethiopia, Liberia and Sudan. Mr Carter also keeps a line open to Fidel Castro, Cuba's isolated leader.

The centre's international role does not stop at conflict resolution, however. Its also

helps countries hold elections, draft new constitutions and manage the transition to democracy. Additionally, the centre and its staff run programmes in the developing world aimed at improving agriculture and food production, disease prevention and the quality of health care.

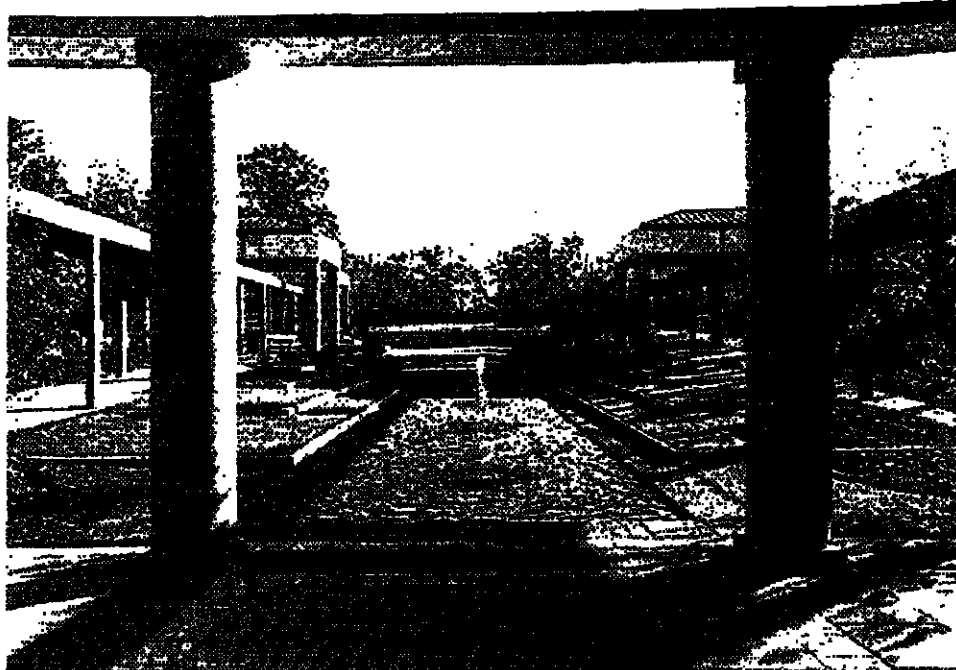
While much of this work is conducted away from the public eye, the diplomatic initiatives, particularly those embarked upon by Mr Carter personally, have often come under intense scrutiny. The response to these efforts has not always been favourable. In the past, Mr Carter has been criticised for interfering with US foreign policy, and sometimes for undermining or contradicting that policy.

The former president's renowned ability to see something positive in almost everyone he meets has also left him vulnerable to attacks that he coddles dictators and terrorists. As one State Department official put it recently: "Some tyrant will say, 'I don't have to listen to the American government representative, because I can always call Atlanta and get a better deal'."

It was recently discovered, for example, that Mr Carter tried in 1981 to persuade foreign leaders to not back President Bush's coalition to liberate Kuwait from Iraqi control because he believed he could act as a mediator between the US and Saddam Hussein.

Although they conform with the Carter Centre's broader mission to "wage peace" around the world, some of Mr Carter's forays into foreign policy situations are not necessarily part of the Centre's official work - much of which is conducted in less glamorous arenas, both abroad and at home.

On the domestic front, the centre and its staff devote a lot of energy on improving conditions in the nation's inner cities. The Atlanta Project (known as TAP) is probably the centre's best known domestic programme. Launched in October 1991, TAP helps communities in Atlanta's 20 poorest neighbourhoods tackle their problems, among them crime, homelessness, drug abuse, teenage pregnancy, unemployment, and poor health. That help involves providing each of the 20 Atlanta neighbourhood "clusters" with



The Museum of the Jimmy Carter Centre, Atlanta, provides a glimpse of the American presidency

corporate sponsors (Coca-Cola, Bell South and Marriott are among the TAP supporters), recruiting a force of local volunteers to work in the communities, and enabling the clusters gain access to federal or state funds.

So far, TAP's work has ranged from somewhat vague initiatives such as a survey of residents' views on how to tackle crime, to more tangible problem-solving efforts such as

a massive child inoculation drive and a successful campaign to make it easier for Atlanta families to the apply for public financial assistance. TAP has its critics, including those who say its impact upon local communities' problems depends too much on the level of commitment from each cluster's corporate sponsor, and those who have chided the project's director for being insensitive to Atlanta's black

community ("sensitivity training" was subsequently arranged for TAP participants). There has also been some disillusionment over the lack of more noticeable progress in improving the life of the urban poor. These criticisms, however, have not prevented the Carter Centre from planning a national version of TAP, called The America Project.

Patrick Harverson

Aggressive expansion by CNN television network

A leader in global TV news

Along with the movie *Gone with the Wind*, Martin Luther King and his baseball team the Braves, Atlanta is probably best known throughout the US as home to CNN, the all-news cable television network which sprung to national - and international - prominence several years ago with its coverage of the Gulf War.

Yet, the benefits CNN bring to the city go beyond the kudos of national name-recognition. The network, which is part of the giant entertainment group Turner Broadcasting System owned by Mr Ted Turner, is also a leading employer in the metropolitan area as well as a considerable tourist attraction. The CNN Centre in downtown Atlanta is visited daily by many hundreds, eager to see at first-hand the production of CNN's television programming.

The network has come a long way from the early 1980s, when it was widely derided as "Chicken Noodle News." The brainchild of Mr Turner, who foresaw a demand for 24-hour television news long before anyone else, CNN is regarded as an important news source for a hardcore audience of US viewers, and as essential viewing in times of national and international crisis by many more.

However, CNN's ratings have never been that large - it typically attracts about 400,000 viewers in the US - and recently its ratings have begun to slide. In the first quarter of this year, CNN's ratings in the US were down 25 per cent on the same period of 1993, and in the first six months of this year lower ratings contributed to flat advertising revenues. Without continued growth in CNN International, the network's non-US operation, CNN would have reported a decline in revenues for the first half of 1993.

Yet, some of the decline in ratings cannot be blamed on CNN itself - like any news service, it needs big news events to keep viewers tuned in, and during the first half of 1994 a lack of big news, combined with improving competition from local newscasts and specialist news magazines, took

their toll. (Although the double-murder story involving sports star OJ Simpson was huge news in the US, CNN faced stiff competition from local news purveyors and specialist channels such as Court TV).

The recent weakness in domestic ratings, however, cannot obscure the fact that CNN remains a handsomely profitable business for its parent TBS. Last year, it generated an operating profit of \$33m on revenues of almost \$600m.

Moreover, CNN's ratings have always moved with the news cycle, and the third quarter of 1994 produced two big



Sporting a CNN t-shirt, this youngster is one of hundreds of daily visitors to the CNN Centre in Atlanta, eager to glimpse the production of TV programmes

stories with a strong US and international dimension - the crisis in Haiti and the threat of another invasion of Kuwait by Iraq - could pay off in the form of higher viewership for the second half of this year.

Furthermore, the maturing of its domestic market need not be so worrying as long as CNN continues to build revenues from its international operation. After years of losing money, CNN is now in profit and the fastest-growing arm of

CNN. Its revenues last year totalled about \$100m, and this year CNN is expected to earn between \$50m and \$60m on revenues of \$113m. That is a considerable improvement from four years ago, when CNN lost a little over \$3m on revenues of just \$13.6m.

This growth has come from aggressive expansion into new markets in three main regions - Latin America, Europe, and Asia-Pacific. It has been accomplished mostly by adding new satellites that carry larger "footprints" which enable CNN's programmes to be broadcast on a more powerful signal to homes in a much wider geographic area. As a consequence, as of this summer, CNN was transmitting to an estimated 80m television households in more than 210 countries via a network of 12 satellites.

To improve CNN's news programming, CNN has built a new \$11m production centre in Atlanta to complement its existing European regional centre in London, and it will soon open a new Asian regional centre in Hong Kong. Each centre will produce a version of CNN's programming geared toward its region's viewers.

In South America, CNN has no English-language competition, but faces a threat from several Spanish-language networks run by Reuters, the Mexican television group Televisa, and the US network NBC.

CNN competes indirectly with them through the four half-hour segments of Spanish-language news it broadcasts every day, but clearly could lose ground to the native-language news services because the number of fluent English-speakers in the region is so small.

In Europe, CNN's largest market, the principal competition comes from Mr Rupert Murdoch's Sky News channel. Although Sky is very UK-oriented, Mr Peter Vesey, head of CNNI, admits: "On some stories with a particular European interest, they can be very competitive with us in serving their UK-based audience."

Another competitor is Euro-

news, which was set up by a political mandate from the European Community and broadcasts news in five different languages - "it's a wonderful technical achievement," says Mr Vesey, "but it's not, from what I hear, a very watchable product." CNN could also face competition soon from the BBC, which has talked of moving into the European market on a subscription basis with a version of World Service TV.

CNN also competes indirectly with the BBC in the Asia-Pacific region, as it does with Star TV satellite system, which is the largest in Asia and which may eventually be part of a global satellite news service alongside Mr Murdoch's Fox Television in the US and Sky News in Europe. Mr Vesey says of CNNI's global competition: "As you can see, the field is kind of crowded."

In future, however, CNNI may be competing with native-language broadcasters, although here the network has tried to hedge its bets through its occasional Spanish-language broadcasts and a joint venture with German broadcasters in Germany called n-tv.

Mr Vesey says: "We will see more regional competition, but I don't think it will be English-language competition. If I was to spend a ton of money on bringing you Asia every day, I would probably choose to do it in Chinese, or maybe Japanese. That is one of the biggest dilemmas we have classically faced. English is the best language to be in - on a world-wide basis - but you're really limiting yourself in terms of a mass audience, and there's no way around that. The way to extend and expand beyond that is to go the n-tv route in Europe. If you're going to take it into the region and tell people about things that are most important to them, you've got to make the decision to do it in their language."

The CNNI chief, however, is confident that its head start of 15-years experience in global news production should allow it to stay ahead of the international field.

Patrick Harverson



Georgia's State Capitol, one of two US capitols whose dome is sheathed in gold - brought from the Northeast Georgia mountains

Facts about the area

Area and population

Area, Metropolitan Atlanta, 5,147 sq. miles
City of Atlanta 131 sq. miles
Population, Metropolitan Atlanta 2.9m.
City of Atlanta 394,017

About the city

□ Atlanta is the state capital of Georgia. Convention and trade shows bring \$1bn annually to the city.
□ \$1.5bn worth of Olympic preparations for 1996 are reported to be on schedule and on budget.
□ More than 16.5m tourists visit the area every year. Atlanta has more than 55,000 hotels rooms.
□ Atlanta is the birthplace of Dr Martin Luther King Jr. The city proclaims itself the cradle of the civil rights movement.
□ The Mayor of Atlanta, Mr Bill Campbell, was elected in November 1993. He took office in January this year.
□ Newspapers include: The Atlanta Constitution, (morning daily). The Atlanta Journal, (evening daily).

Useful contacts

Atlanta Chamber of Commerce, 235 International Boulevard, (404) 880-9000.
Atlanta Convention and Visitors Bureau, 235 Peachtree Street, NE, (404) 521-6600.
Georgia Council for International Visitors, 999 Peachtree St, (404) 873-6170.
Thomas Cook Foreign Exchange, 245 Peachtree Center Avenue, Marquis One Tower, Gallery Level, (404) 881-9700.
Georgia Department of Industry, Trade and Tourism 656 3545
Multi-lingual visitor assistance 673 6170
Travelers' Aid 766 4511
History Center, details 238 0655
Lennox Square, welcome 266 1398
Underground Atlanta, welcome 577 2148
Peachtree Centre, welcome 521 6688

Getting about

Atlanta's Hartsfield International Airport is the second busiest airport in the world; the airport claims to have the largest passenger terminal in the world, handling 50m passengers a year, with an average of 1,500 flights a day. By air, 80 per cent of the US population can be reached from Atlanta. Hartsfield airport, telephone (404) 530-6830, is 13 miles - and 20 minutes' ride - from central Atlanta by taxi, (except during rush hours). The flat rate taxi fee to downtown hotels is \$15 for one person, \$16 for two people and \$18 for three. The Atlanta Airport Shuttle (404) 768-7600, costs \$8 one way to downtown hotels and \$12 one way to suburban areas such as Lenox Square.
The Atlanta (Metropolitan Atlanta Rapid Transit Authority) rail system takes 12 minutes and costs \$1.25 one way to downtown locations.
Subway and bus schedules 848 4711

AAA Airport Shuttle 934 8003
Atlanta Airport Shuttle 524 3400
□ Main airlines include:
American 800 433 7300
America West 800 247 5892
British Airways 404 559 9641
Continental 800 528 0280
Delta 800 221 1212
JAL 800 525 3663
KLM 800 556 7777
Lufthansa 800 645 3880
Northwest 800 225 2525
Sabena 800 645 3790
Swissair 800 221 4750
TWA 800 221 2000
United 800 241 6522
USAir 800 428 4322

Car hire services include:

Avis (800) 331-1212
Budget (404) 530-3000
Dollar (404) 766-0244
Hertz (404) 237-2660
National (404) 530-2800
□ Taxi services: visitors can hail a cab quite easily in the central and Buckhead areas. The larger taxi companies include:
Checker Cab (404) 351-1111
London Taxi (404) 681-2280
Style Taxi (404) 455-8294
Yellow Cab (404) 521-0200

□ Rail: Atlanta is served by Amtrak via Peachtree Station, 1688 Peachtree Street (800) 872-7245

Banking

Banks in Atlanta include:
Bank South, 280 Peachtree St (404) 681-9529.
NationsBank, 600 Peachtree St. NE (404) 581-2121.
Trust Company of Georgia, 25 Park Place, NE (404) 588-7711.
Wachovia Bank, 2 Peachtree St (404) 332-5000.

Hotels

Larger hotels include:
Omni at CNN Center, Marietta St and Techwood Drive (404) 659-0000, fax (404) 659-1621.
Ritz-Carlton, central area, 181 Peachtree St, NE (404) 659-0400, fax (404) 688-0400.
Westin Peachtree Plaza, 210 Peachtree St (404) 659-1400, fax (404) 589-7586.
Hilton & Towers, 255 Courtland St, NE (404) 659-2000, fax (404) 222-2668.
Hyatt Regency downtown, 265 Peachtree St, NE (404) 577-1234, fax (404) 588-4137.
Ritz-Carlton Buckhead, 3434 Peachtree Rd, NW (404) 237-2700, fax (404) 239-0078.

Eating out

A selection of international restaurants includes:
Bones restaurant, specialising in prime rib and seafood, 3130 Piedmont Rd, Buckhead (404) 237-2663.
La Grutta, (Italian food), 2637 Peachtree Road, NE (404) 231-1368.
Nikolai's Roof (Russian food), Courtland & Harris, NE (404) 659-2000.
The Country Place (continental), Colony Square, 1197 Peachtree St (404) 881-0144.
The Dining Room (American), 3434

Peachtree Rd (404) 237-2700.
Hedgerose Heights Inn, (continental), 490 East Paces Ferry Rd (404) 233-7873.
Savannah Fish Company, Peachtree Street & International Boulevard (404) 589-7456.
The Restaurant, (French), 181 Peachtree Street (404) 659-0400.
Kamogawa (Japanese), 3300 Peachtree Rd (404) 841-0314.
McKinnon's Louisiana (Creole, Cajun), 3209 Maple Drive (404) 237-1313.

Shopping

Atlanta's shopping centres are usually open Monday to Saturday from 10 am until 6 pm; and Sunday noon until 5 pm. Many stay open until 9 or 9:30 pm on weeknights.
Underground Atlanta, at Martin Luther King Jr Drive and Peachtree Street is a downtown complex featuring specialty boutiques, department stores and merchandise kiosks, as well as restaurants and nightclubs. The shops are open weekdays until 9 pm and Saturday and Sunday until 10 pm, while restaurants and nightspots stay open much later. Other shopping centers include Phipps Plaza, Lenox Square, The Galleria, and Peachtree Center, see telephone numbers above.

Leisure

Tourist events, details 800 283 6699
The Robert W. Woodruff Arts Center houses the Atlanta Symphony Orchestra, (404) 892-3600; and The Alliance Theatre, (404) 892-2414.
The Fox Theatre offers touring Broadway shows (404) 249-6400.
Atlanta Ballet performs at various venues (404) 892-3903.
Omni Coliseum, 100 Techwood Drive, NW, (404) 249-6400 is home to the Atlanta Hawks basketball team. The Atlanta Falcons football team plays at the Georgia Dome (404) 223-8000.
□ Museums include:
High Museum of Art, 1280 Peachtree Street, NE (404) 892-3600.
Museum of Atlanta History, located in the Atlanta History Center, 3101 Andrews Drive (404) 814-4000.
Apex Museum of African American History, 135 Auburn Avenue, NE (404) 521-2739.
SciTrek, The Science and Technology Museum, 395 Piedmont Avenue (404) 522-5500.
□ Also of interest:
World of Coca-Cola Pavilion, 55 Martin Luther King Jr Drive at Central Ave (404) 676-6074.
King Center, 449 Auburn Ave (404) 524-1966.
CNN Center, daily tours of the broadcast headquarters (404) 827-2300.
Atlanta Botanical Garden, 1345 Piedmont Avenue, NE (404) 876-5858.

Climate

The regional climate varies from mild winters with temperatures ranging from zero to 15 degrees Centigrade, to hot and steamy summers with temperatures ranging from 17 to 31 degrees. Fortunately, spring and autumn are long and pleasant.
Sources: Rivka Nachoma with additional data by Barbara Harrison.

Managing institutional investments is something Trusco Capital Management does extremely well. It's one of the reasons we now manage more than \$10 billion in assets for a diverse group of clients worldwide. Our disciplined investment philosophy concentrates on tailoring individually managed portfolios to meet the specific needs and objectives of our clients.

For more information, contact Paul L. Robertson, III, First Vice President, at (404) 827-6868.

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INTERNATIONAL COMPANIES AND FINANCE

UBS 'unlikely' to match last year's record

By Ian Rodger in Zurich

Union Bank of Switzerland, which is in the midst of a proxy battle over its business strategy, has said its 1994 net income will be lower than the record Sfr2.27bn (\$1.6bn) it made last year.

"Last year's excellent result is unlikely to be reached," UBS, Switzerland's largest bank, said in a statement on third-quarter trading. Earlier, it had left open the possibility of matching the 1993 result.

The bank blamed unfavourable market conditions for a decline in third-quarter profits. No figures were given, but it said both net interest income and trading income were down, although the trading result was "substantially higher" than in the previous quarter.

Fee and commission income were said to be "excellent", marking the only contrast with the third-quarter report of Credit Suisse which said last week its commissions business suffered a "slight downturn".

UBS said commissions from its corporate finance business were unsatisfactory.

Expenses were down noticeably. As in the case of Credit Suisse, bad loan provisions were reduced but remained at a high level.

UBS has called an extraordinary general meeting of shareholders for November 22 to vote on its proposal to convert all registered shares into bearer shares. The par value on the registered is one-fifth that on the bearers, giving an investment in them much more voting power than the same stake in bearers.

The proposal is opposed by BK Vision, an investment fund which has a large holding in the registered shares and is seeking to rally a majority of votes to make substantial board changes at the next annual meeting in April.

Operating profit at Maclean, the Austrian construction group with large operations in eastern Germany, plunged in the first half by 42 per cent to Sfr1.7m (\$7.6m). It also forecast lower net income in the full year.

Turnover was up 14 per cent to Sfr5.9bn, due to a 19 per cent increase in Germany, which accounted for just over half of group revenue.

The group said the decline in operating profit was partly due to delays in Russian housing projects for returning soldiers.

The extra costs in the Russian projects will be borne by the customer but this will be reflected only in next year's earnings after they are completed.

Accor pulls the shutters down

John Ridding and Michael Skapinker examine the group's position

Mr Gérard Pélisson and Mr Paul Dubrule have seen many more ups than downs in the 27 years in which they have built Accor de France into one of the world's largest hotel and travel groups.

The past two months, however, have brought a series of setbacks which the group's founders and co-chairmen would probably prefer to forget.

In September, Accor was defeated by Forte of the UK in a fiercely contested battle to win control of Meridien Hotels, which had been put up for sale by Air France. A few weeks later, Mr Pélisson and Mr Dubrule became entangled in a wrangle with Suez, the financial and industrial group which is Accor's largest shareholder.

Last week, the group announced its first-ever loss, saying it had incurred a net half-year deficit of FF264m (\$51m), compared with a net profit of FF109m for the same period in 1993.

The financial performance and signs of shareholder dissatisfaction raised important questions about the group's prospects and strategy. They even prompted some to consider whether France's flagship hotel company be taken over. Could a successful predator break up the group, finding

buyers for some of its assets, which range from the Novotel hotel chain to the Europcar car rental business to luncheon vouchers?

Analysts were particularly intrigued by the apparent breach between Accor and normally loyal French institutional shareholders.

Last month, after protracted discussions, Accor said it had broken off negotiations aimed at increasing Suez's 12.4 per cent stake, held through its subsidiary Société Générale de Belgique. Accor cited "unreasonable" demands by Suez, which it claimed was seeking a significant management role and the right to select a successor when the co-chairmen stand down.

Messrs Dubrule and Pélisson have little time for speculation about instability on the shareholder register. "We have no fear of a takeover," SGB has said it would keep its holding and "we have faithful long term investors," said Mr Pélisson, citing Société Générale, the French bank, and Union des Assurances de Paris, the insurer. The Caisse des Dépôts et Consignations, the French state financial institution, has also distanced itself from speculation that it might sell its 6.14 per cent stake in Accor.

An additional reason for concern concerning the emergence of predators is that both the

group and industry analysts think Accor's situation is better than might have been expected.

Accor itself is sanguine in the face of last week's loss and is upbeat about prospects for the rest of the year. The company points to improved operating results, arguing that 15 of its 18 principal profit centres were ahead at the nine-month stage compared with the same period in 1993. They explain that much of the reason for the loss at the net level in the first six months was the absence of exceptional gains from disposals. First-half profits of FF109m in 1993 were achieved only after capital gains of more than FF400m during the period.

This perspective is shared by many industry observers. "I was not surprised by the loss," says an analyst at one French merchant bank. He, like many industry observers, was also encouraged by the chairman's optimism following the announcement of the results. Mr Pélisson said: "The bad news is the loss. The good news is that over the past several months we have seen a substantial improvement in the hotel business."

Nevertheless, there is still concern about the group's prospects and strategy. Most

immediately, the company continues to struggle under a debt burden of about FF22bn, about one and a half times shareholders' equity.

The rise of the debt reflects the aggressive expansion strategy pursued by the company, notably the acquisition of the Motel 6 chain in the US in 1990 and of Wagons-Lits, the Belgian travel group in 1991.

"The debt situation is a concern," says one Paris-based analyst. But he believes that the company is now taking active steps to improve its financial position.

This sentiment is shared by investors who have pushed Accor's share price up by 20 per cent since the announcement of the first-half results, recovering from the sharp losses prior to the news. The COB, the French stock-market watchdog, is investigating the falls over the previous two weeks.

The strong rally reflects a belief that the company will now focus on core businesses and reduce its debt.

Accor has identified FF15bn of potential assets it could sell from which FF2.5bn worth of receipts are expected by the end of 1995. The group is looking for an investor in its Sofitel luxury hotel chain after its failure to win control of Meridien. Accor wants to continue running the chain, but



Gérard Pélisson (left) and Paul Dubrule: No fear of takeover

would like an investor to take a majority stake in the assets. Mr Paul Slattery, an analyst at Kleinwort Benson, says: "That's going to be a tall order. Sofitel is a very tired brand that has suffered from under-investment."

One solution may be Prince Al Waleed of Saudi Arabia. The prince gave financial backing to Accor's bid for Meridien. Last month he took a 25 per cent stake in Four Seasons Hotels, the Toronto-based luxury hotel chain.

Neither chairman would be drawn on the prince's possible interest. But one industry analyst said: "He is a definite possibility. He has capital and he isn't hostile."

BNP in plan to shed Banque Nagelmackers

By Andrew Jack in Paris

Banque Nationale de Paris, one of France's leading banks and privatised last year, is selling Banque Nagelmackers 1747, Belgium's oldest bank.

The bank, in which BNP became the majority shareholder four years ago, is to be sold to P and V Assurances of Belgium. The sale will also apply to a related concern, Nagelmackers & Company.

BNP stressed that the sale conditions would guarantee the bank's development and

the service to its clients, and that Nagelmackers would continue to market BNP products.

BNP bought the majority of the shares in Banque Nagelmackers in 1990, with the remaining stake held by the Nagelmackers family.

This August it acquired nearly all the remaining shares when Financière Leccoc, a co-shareholder with which it made the original takeover, exercised its option to sell.

BNP earlier this year denied suggestions it was planning to sell Banque Nagelmackers.

By Paul Taylor in London

The Vestey family is to buy back a large part of Union International, the food processing and distribution group, as part of a restructuring of the private Vestey food, shipping and property business empire.

Under the terms of a proposed deal, the Vestey Trust will acquire Union International's food trading and distribution businesses in Australia and Asia, and its farming and property interests in Venezuela.

The deal, worth a maximum of £100m including up to £24m of deferred payments for the Venezuelan property, paves the way for the liquidation of Union International, a Vestey subsidiary which has been operating under a standstill agreement with its banks pending debt restructuring. Union International is asking its

banks to extend the standstill agreement by six months to mid-1995 by which time the company is expected to have eliminated its remaining debt and pushed ahead with the sale of its remaining assets which include the Dewhurst, Matthew's and Baxter's butcher shop chains, its British Beef businesses, its North American trading arm and some property interests.

The operations being acquired by the Vestey Trust represent the core of Union's food business with a combined profit before tax and interest of £11.7m (£18.5m) last year. In the first six months of this year their profit contribution rose to £8.5m from £5.8m in 1993.

The Australian and Asian food operations are considered to have strong potential and, together with the Frederick Leyland shipping business, will form the basis of a

slimmed-down Vestey empire.

The deal is subject to approval at a meeting of shareholders and preference shareholders on November 18. The Vestey family owns all of Union International's ordinary shares through their holding company, Western United Investment, and about a third of Union International's outstanding preference shares so the outcome of the meeting is not in doubt.

The buy-back is a blow to Mr Terry Robinson, Union International's chief executive, who had been seeking a management buyout. Under him, Union's debts have been cut from a peak of £420m to £124.6m at the end of last year. Mr Robinson confirmed yesterday that the proposed deal with the Vestey Trust, coupled with the planned sale of the group's Australian property interests, should eliminate the group's borrowings.

Axa to invest \$10m in Turkish investment fund venture

By Andrew Jack in Paris

Axa, one of France's largest insurance groups, is planning to start operations in Turkey next year as part of its policy of international expansion.

The group, which bucked the trend in the French insurance sector by recently reporting half-year net profits up 26 per cent to FF1.5bn (\$292m), plans to invest \$10m in a joint venture with Oyak, the Turkish investment fund to begin in April next year.

The investment is one of several designed to broaden the group's international basis, said Mr Claude Tondil, director in charge of international development.

The company is also set to launch a direct marketing company to sell insurance in Germany. "Germany is a

more difficult market to penetrate than Japan," said Mr Tondil, referring to the group's recently-boostered operations in Asia Pacific.

While other French insurance companies are holding back from additional international investment, Mr Tondil said Axa was looking for new acquisitions in Europe, Asia and North America.

He said about 60 per cent of Axa's premium income was generated in France.

Mr Tondil said he was also looking in the UK for additional property and casualty interests, but British insurers were too over-valued.

In North America, he said Axa was interested in expanding only cautiously, avoiding the natural-disaster prone regions, such as Florida and California.

End of Month S.G. Warburg Warrant Valuations

as at 31st October 1994

Single Stocks	TYPE	CURRENCY	NOT	STRIKE	PRICE	EXPIRY
BHP	Call	AUD	20.00	19.50	2.16	29th Jan 95
Coca Cola	Call	AUD	4.18	4.10	0.60	23rd Nov 94
Deutsche	Call	DEM	126.5	125.0	27.50	20th Jan 95
Enron	Call	CHF	13.50	13.00	26.50	2nd Aug 96
Chung King	Call	HKD	37.30	36.80	0.85	8th Mar 95
China Light & Power	Call	HKD	40.30	41.00	0.70	2nd Jan 95
Dea Hong Bank	Call	HKD	25.70	25.20	0.35	25th Jan 96
Hong Kong Electric	Call	HKD	24.40	23.20	0.32	6th Feb 96
Hong Kong Telecom	Call	HKD	14.60	15.60	0.49	24th Nov 94
Indochine	Call	USD	35.80	36.00	0.71	21st Dec 94
Hyundai Development	Call	USD	20.60	17.00	3.65	6th Sep 95
Malayan Bank	Call	MYR	17.40	13.85	3.55	21st Dec 94
Sun Hung Kai Properties	Call	HKD	59.30	50.00	1.76	2nd Jan 95
Metallgesellschaft	Call	DEM	116	120	1.59	31st Oct 95
Philips Electronics	Call	NLG	53.80	54.18	0.38	8th Sep 95
Woolworth	Call	ITL	14025	14030	226	22nd Dec 95
Sevens	Call	ITL	3288	4464	42	28th Mar 95
Telecom Italia 1	Call	ITL	4210	3282	9.19	14th Jan 95
Telecom Italia 2	Call	ITL	4210	5237	280	28th Jan 95
Ser 1	Call	ITL	4648	6943	205	14th Sep 95
Ser 2	Call	ITL	4648	6770	205	28th Jan 96
Thai Farmers Bank	Call	THB	173	127.80	49.20	17th Jan 96
Baskets						
Australian Insurance	Call	AUD	103	101.57	1.49	3rd Jan 96
European Airlines 1	Call	USD	41.18	40.28	1.03	3rd Feb 95
European Airlines 2	Call	USD	41.18	40.81	0.91	9th Mar 95
European Media 1	Call	USD	20.71	20.2257	2.10	28th Sep 95
European Media 2	Call	USD	20.71	20.2257	0.89	28th Sep 95
European Media 3	Call	DM	3973	2330	144	12th Jan 96
European Media 4	Call	DM	2695	2000	2.21	3rd Jan 96
European Media 5	Call	USD	103.1	114.75	0.35	2nd Jan 95
European Media 6	Call	USD	78.15	86.00	1.38	20th Mar 96
European Media 7	Call	USD	131	104.25	2.09	2nd Jan 95
European Media 8	Call	USD	96	88.00	0.39	26th Jan 96
European Media 9	Call	USD	96	97.30	1.68	20th Nov 95
European Media 10	Call	USD	107.30	90.00	0.09	2nd Sep 95
European Media 11	Call	USD	101	104.75	0.46	5th May 95
European Media 12	Call	ITL	18394	19663	344	31st Aug 95
European Media 13	Call	ITL	18394	24549	269	14th Jan 95
European Media 14	Call	ITL	18394	204419	33	18th Apr 96
European Media 15	Call	USD	367537	289223	223	13th Oct 95
European Media 16	Call	SEK	110628	123596	26.96	12th Sep 95
European Media 17	Call	USD	4062	3600	9.06	10th Jan 96
European Media 18	Call	USD	0.95	1.00	0.11	8th Dec 95
European Media 19	Call	USD	1313621	1369900	7.60	22nd Jan 95
European Media 20	Call	USD	SGD10.50	SGD10.00	1.64	19th Jan 96
European Media 21	Call	USD	SGD20.5	SGD20.00	1.04	14th Jan 95
European Media 22	Call	NTD	1033	800	447	2nd Jan 96
European Media 23	Call	NTD	1201	1800	268	30th Mar 96
European Media 24	Call	NTD	594	550	268	26th Oct 95
Indices						
FTSE MIA-250 Index	Call	USD	3517	2900	6.46	17th Mar 95
FTSE MIA-250 Index	Call	USD	3517	3470	1.89	17th Mar 95
FTSE MIA-250 Index	Call	USD	3517	3670	0.90	17th Mar 95
FTSE MIA-250 Index	Call	USD	3517	2900	0.34	17th Mar 95
FTSE MIA-250 Index	Call	USD	3517	3945	1.49	17th Jan 96
FTSE MIA-250 Index	Call	USD	3517	2900	0.08	17th Mar 95
FTSE MIA-250 Index	Put	USD	3517	3470	1.67	17th Mar 95
FTSE MIA-250 Index	Put	USD	3517	3270	0.89	17th Mar 95
FTSE MIA-250 Index	Put	USD	3517	3900	1.35	17th Mar 95
BCI-30	Call	DEM	14.40	16.94	1.65	19th Jan 96
BCI-30	Put	DEM	14.40	16.94	3.53	19th Jan 96
Relative Performance						
Investor/Core Holdings	Call	SEK	-3.82%	+4.0%	123.80	21st Dec 95
Investor/CORX	Call	SEK	-0.97%	+10%	123.80	21st Dec 95
Volvo/CORX	Call	SEK	+31.03%	+10%	407.00	23rd Feb 95
Volvo/CORX	Call	SEK	+31.03%	+10%	518.90	23rd Feb 95
Volvo/CORX	Call	SEK	+31.03%	+10%	241.30	23rd Feb 95

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INTERNATIONAL COMPANIES AND FINANCE

Barrick advances 5% as Goldstrike output improves

By Bernard Simon
in Toronto

American Barrick, the Toronto-based gold producer, raised third-quarter earnings by 5 per cent, due largely to higher output at the flagship Goldstrike property in Nevada, and a contribution from recently-acquired Lac Minerals.

Barrick's per-share earnings were diluted however, by the issue of 66m common shares as part of the Lac purchase price. The Lac deal closed on September 6.

Net earnings climbed to US\$61.3m, or 20 cents a share, from \$58.3m, or 21 cents, a year earlier. Revenues advanced to \$216m from \$178m.

Earnings growth has been dampened by rising exploration expenses, as Barrick spreads its wings in Latin America and Asia. Exploration spending is forecast to rise to \$30m next year,

more than double 1994 levels. Lac's properties in North America, and Chile contributed about 30,000 oz to third-quarter production, which totalled 560,500 oz, up from 413,800 oz a year earlier. Output from Goldstrike's Betze-Pit rose to 466,500 oz from 388,000 oz.

Barrick, which is now the largest gold producer outside South Africa, forecast 1994 output from its eight mines at more than 2.3m oz.

Cash costs averaged \$153 per oz in the third quarter, down from \$202. Overall operating costs dropped to \$168 per oz from \$170.

Mr Bob Smith, president, told analysts yesterday that he will be disappointed if all the company's advanced exploration targets on the El Indio belt in central Chile are not converted into proven and probable reserves. Barrick had previously set a target of about 50 per cent.

Interpublic to acquire media-buyer

By Richard Waters
in New York

Interpublic, the US advertising group, said it would acquire Western International Media, the country's largest independent media-buying company, in a deal which appeared to signal a consolidation of the US media-buying industry.

The deal could also indicate a push by the US group into media-buying business in Europe, which is currently dominated by locally-based groups. Western's customers in the US include such international names as Walt Disney, Visa International and BMW.

Media buyers purchase

advertising space in bulk and sell it on to advertisers, either directly or through other agencies. The greater bargaining power available to big buyers has already prompted a consolidation in the European industry, with specialist buying companies, some of them owned by advertising groups, growing at the expense of individual agencies' buying departments.

The acquisition of Western, which claims to buy \$1.6m of air time and other advertising space a year, could indicate an acceleration of the same trend in the US. It represents the first big acquisition by Interpublic, which has annual billings of \$15bn and whose agencies include McCann-Erickson, Lintas and the Lowe group. These agencies each currently buy their own media space.

This was interpreted in part as an attempt to calm concerns of the smaller US advertising agencies for whom Western currently buys space.

European-based advertisers have also been exploring ways of expanding their US media-buying muscle. Saatchi & Saatchi, which in 1989 combined its European media buying activities in a single company, Zenith, is currently studying whether to adopt the same course in the US.

Together with the acquisition of an independent media buyer, Saatchi estimates the consolidation of activities in Zenith has given it about a sixth of the European market.

US biotech groups merge as similar moves loom

By Daniel Green

Two US biotech companies announced their merger yesterday, a move which could herald a series of similar moves from the cash-strapped sector.

Nexagen of Boulder, Colorado, and Vestar of San Dimas, California, will merge to form Nexstar Pharmaceuticals.

Nexagen was floated earlier this year and, although it has the smaller market capitalisation, appears to be the senior partner in the deal.

The new headquarters is in Boulder, and the chairman and chief executive of the new company are from Nexagen.

The transaction will be effected through an exchange of 0.86 shares of Nexagen for each Vestar share. Nexstar will have a market capitalisation of about \$18m.

Mr Viren Mehta, of biotechnology specialist research boutique Mehta and Isaly, said that the merger was "indicative of the financial pressures in the sector and on these two companies".

He said that Nexagen's technology showed more promise than Vestar's even though Vestar already had a product approved and on sale in Europe.

BAT's Brazilian unit falls in third term

By Patrick McQuerry
in Sao Paulo

Companhia Souza Cruz, the Brazilian subsidiary of British American Tobacco (BAT), announced a fall in third-quarter accumulated profits after tax to R\$52.14m (\$61m), from R\$139.12m for the same period last year.

Much of the profit was thanks to a sister company, Aracruz Celulose, which contributed R\$32.85m. This was a result of the effect of the overvalued Real currency on Aracruz's dollar debt and a recovery in world pulp prices.

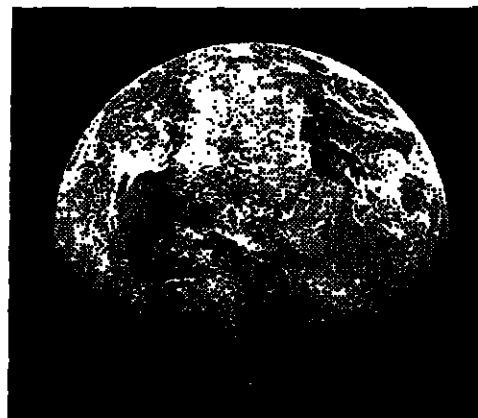
Souza Cruz's profit from cigarettes and tobacco was R\$15.24m, basically due to exports, compared with R\$137.45m last year.

The company, which has an 80 per cent share of the local cigarette market, blamed the fall in profits on a 10.9 per cent reduction in the cigarette market, "significant" levels of contraband cigarettes and a reduction in tax payment periods.

However, analysts say the company's performance has been improving since the launch of Brazil's Real currency in July, which increased consumer purchasing power.

Optimism that the Real will lead to increased cigarette sales has pushed up Souza Cruz's share price 28 per cent since August 20, during the same period Sao Paulo's main stock index fell 4 per cent.

During the nine-month period net sales were R\$740.5m compared with R\$945.7m.



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P&G, Unilever soap wars leave market spinning

Consumers have yet to pick a winner as P&G launches a new detergent, writes Roderick Oram

Under harsh artificial sunlight, deep inside Procter & Gamble's laundry laboratory in Brussels, there seems no doubt: Ariel Futur, P&G's riposte in the Great European Soap War, and launched today in the UK, is superior to Unilever's Persil and Omo Power detergents, famous for their textile-damaging side-effects.

Be it blood, oil, or other nasty, staining substances, Ariel Futur, cleans best, claim P&G staff. But the reality of the 28bn (\$3.5bn) marketplace, they acknowledge, is more complicated than life in the laboratory. Consumers, bombarded by claims and counter-claims by the two companies, are confused.

Unilever launched its Power products this spring, hailing them as a leap forward as significant for detergents as transistors were for electronics. P&G hit back with assertions that Power damaged clothes, and showed tattered underwear to prove it. Independent arbiters failed to settle the dispute: consumer associations in some countries slammed Unilever's new detergent, while others endorsed it.

Both sides claim they have increased the market shares of their ranges of detergents during the summer. But Unilever admits that Persil and Omo Power sales have fallen after every bout of bad publicity, and have had to be rebuilt through extensive promotions and advertising.

Into this bruising world of no-holds barred marketing, P&G is launching Ariel Futur (as spelt on Continental packaging; it is called Future for the British). Futur "represents a considerable technological advance in washing powders", says P&G.

With its manganese catalyst "accelerator" in Power, Unilever "stuck a rocket motor on a Ford Cortina. The detergent can't take the power", a P&G spokesman said during the Power Futur this summer. "With Futur, we've redesigned the car from the wheel nuts up."

More enzymes have been added to improve stain

removal and an inhibitor helps prevent dyes transferring from one garment to another in the wash. A new bleach and water softener complete the formula. It incorporates 11 new technologies and has taken five years to devise. About 25 per cent less soap powder is needed per wash, compared with existing detergents, reducing packaging by 30 per cent. Unilever makes similar claims for its Power detergents.

To substantiate its in-house findings, P&G commissioned three independent, anonymous test institutes to compare Futur with Omo Power. Overall, Futur was better than Power at removing food, body soil, general soil and grease stains but worse at cleaning drink stains.

But close reading of the results shows that the competing powders are more evenly matched, making it hard for consumers to decide which one is superior in the kitchen, rather than ideal laboratory conditions.

Taking a wide range of stains, one institute scored 14 "wins" for Futur over Power, six draws where neither was better and two losses to Power. The other two institutes scored 11-5-2 and 14-11-2 respectively.

"Power is about the best of competing products," a P&G executive acknowledges, but its Achilles heel is the catalyst. P&G says despite lower concentrations of the catalyst in the current version of Power, it is still attacking a wide range of dyes.

Unilever says all detergents damage textiles and Power's adverse effects will only become apparent outside the normal lifespan of a garment. Meanwhile, it is searching for a way to stop the catalyst reacting badly with some dyes.

Futur was launched in its first market, Germany, some six weeks ago. Officially launched in the UK today, it will not hit shop shelves until January, accompanied by a \$7m television advertising campaign. P&G promises no knocking copy.

Nevertheless, Unilever is bracing itself for further bloody encounters.

INTERNATIONAL COMPANIES AND FINANCE

HK bourse chief to focus on quality of Chinese stock

By Louise Lucas in Hong Kong and AP-DJ

Dr Edgar Cheng Wai-kin, who yesterday was elected chairman of the Hong Kong Stock Exchange, said that under his stewardship the exchange would continue reaching out to China, but that he was more interested in strengthening the quality of Chinese companies listed in the territory than increasing their numbers.

He said he would strive to ensure that the Chinese companies already listed in Hong Kong would provide benchmark examples of good governance. "Obviously, I would like to continue to see Hong Kong as a strong capital formation centre as well as a major trading centre for Chinese securities."

Dr Cheng, son-in-law of the late business tycoon Sir Y. K. Pao and chairman of World-

Wide Investment, a non-listed part of Sir Y. K.'s business group, was elected chairman initially for one year, but if re-elected could serve three terms - as did Dr Cheng's predecessor, Dr Charles Lee. He therefore stands to steward the exchange through the colony's return to Beijing rule in June 1997. He has strong connections with Chinese officials, and is a Beijing-appointed Hong Kong affairs adviser.

Dr Cheng is active in business circles in Hong Kong and Singapore, and for the past three years has served both the stock exchange and the futures exchange at committee level.

Relations between the colony's two exchanges were hurt last week when the futures exchange unveiled plans to launch futures contracts on selected equities, a move for which it secured government blessing but omitted to consult

the marketplace in order to ensure confidentiality and a competitive edge.

The stock exchange, saying the move posed questions of added risk and volatility, believes the market (including itself) should have been consulted.

Dr Cheng's appointment, which takes effect immediately, follows a week of council elections that spurred many of the colony's big broking names.

Mr Alan Murray, director of Jardine Fleming, the brokerage jointly owned by Jardine Matheson and Robert Fleming, lost his seat, while Mr Philip Tose, founder and chairman of Peregrine Investments - one of the most successful local securities and merchant banking houses - and Mr John Mulcahy, managing director of UBS Securities in Hong Kong failed to secure representation.

Oki Electric returns to black but skips payout

By Michio Nakamoto in Tokyo

Strong demand for semiconductors and telecommunications equipment, coupled with a restructuring programme, helped Oki Electric, the Japanese electrical machinery maker, return to profitability in the first half of fiscal 1994.

Oki beat its own expectations and boosted non-consolidated sales in the period by 6.8 per cent to ¥273.1bn (US\$2.8bn) from ¥256.2bn last year.

The company recorded ¥24.7bn in recurring profits - before extraordinary items and tax - compared with a loss of ¥8.8bn previously.

Buoyant demand for memory chips, particularly from the computer industry in overseas markets, and strong orders for telecommunications equipment from NTT, the Japanese telecommunications group with which Oki has long-established ties, were the main factors behind the company's improved performance, it said.

Oki also benefited from a cost-cutting programme it implemented at the beginning of the term. Net profits totalled ¥22.1bn against a loss of ¥12.4bn.

However, the company, which still had an accumulated loss of ¥16.5bn at the mid-term, passed its dividend.

The company forecasts sales of ¥530bn in the full year, compared with an earlier forecast of ¥527bn.

Recurring profits are expected to total ¥30bn, rather than ¥10bn and net profits are forecast at ¥27bn, rather than ¥6bn.

Correction

Toshiba

Toshiba forecasts sales of ¥3,300bn in the year to March 1995, not ¥2,440bn as reported last week.

Cautious nod for News Corp stock

By Nikki Tait in Sydney

The Australian Stock Exchange's indexation department yesterday gave only a qualified nod to the new preferred voting ordinary shares which Mr Rupert Murdoch's News Corporation plans to issue this month.

It said it would include the shares in the calculation of Australia's All-Ordinaries index, the stock market's main marker, for at least three months, but review the situation after that initial period.

If the new shares were well-traded and performed in line with the existing ordinary shares, they would remain in the index. If they traded in significantly different fashion, however, they would be removed.

The shares are being issued by way of a one-for-two scrip issue, and it is expected that trading will start on Thursday.

News Corp's decision to issue the limited voting shares has been the focus of much

attention because of Mr Murdoch's apparent desire to raise new capital without diluting his family's control of the company any further.

If investors can be persuaded that the limited voting shares are roughly equivalent to the existing ordinary shares, News Corp would be able to issue more of this class of stock without undermining the Murdoch voting position - except in a very limited range of circumstances.

Last month, in a move designed to appeal to investors,

News Corp announced that it would amend its articles at a future extraordinary meeting, so that the limited voting shares are promised a dividend premium of not less than 20 per cent over the dividend on the ordinary shares, and are ensured similar treatment as the ordinary shares in the event of a bid for News Corp.

Nevertheless, some sceptics still believe that the limited voting shares will trade at a discount to the existing ordinary stock.

Japan's paper groups mixed

By Emiko Terazono in Tokyo

Japan's leading paper manufacturers continued to suffer from cuts in paper prices due to stagnant demand, but restructuring and cost-cutting efforts at the top two companies lifted earnings at the current level.

Benefits from mergers boosted interim profits at Nippon Paper Industries and New Oji Paper.

New Oji was created through a merger between Oji Paper and Kanazaki Paper in October last year, while Jujo Paper and Sanyo-Kokusaku Pulp merged to form Nippon Paper in April last year.

Earnings were also helped by a fall in import raw material costs due to the strong yen. Sales for the industry declined in spite of a rise in sales volumes due to sluggish product prices.

Nippon Paper, however, said unconsolidated after-tax profits

1994 interim results (¥bn)

Company	Sales	Change on year (%)	Recurring profit	Change on year (%)
Nippon Paper	316.2	-0.7	5.6	+39.8
New Oji Paper	270.3	+25.1	8.6	+31.2
Honshu Paper	182.2	-2.0	3.2	-11.2
Daiishowa Paper	141.3	-2.4	-6.9	-

† before extraordinary items and tax

Source: Company reports

fell 26 per cent to ¥4bn (\$41.1m) as income from securities sales fell to ¥300m.

Daiishowa Paper, which is currently undergoing financial restructuring from the mounting losses on stock and real estate investments, managed to reduce losses at the recurring level - before extraordinary items and tax - from ¥11.4bn last year.

It reduced operating costs by ¥2bn for the first half and cut interest bearing debts by ¥11.5bn from last March to ¥423.1bn.

Honshu Paper blamed its profits decline on falling paper-board prices. After-tax profits, however, rose 2.6 per cent to ¥1.4bn due to a fall in depreciation costs.

For the full year to next

March, the companies are expected to see a rise in sales in tandem with the rise in industrial production and hikes of paper prices.

Nippon Paper revised up its unconsolidated earnings forecast for the full year and now expects a 21 per cent rise in recurring profits to ¥11.5bn on a 2.1 per cent increase in sales to ¥404bn.

New Oji expects a 43.8 per cent rise in recurring earnings to ¥15.1bn on a 12 per cent sales increase to ¥345.3bn, while Daiishowa sees a recurring loss of ¥12.9bn on a 8.2 per cent rise in sales to ¥284bn.

Honshu sees current earnings falling 13.9 per cent to ¥6.8bn and sales declining 0.6 per cent to ¥366.6bn.

New lipstick line boosts Shiseido

By Emiko Terazono

A new smudge-free lipstick has made an impression on profits at Shiseido, with the leading Japanese cosmetics manufacturer posting a moderate rise in interim recurring profits.

Non-consolidated recurring profits - before extraordinary items and tax - for the first

half rose 0.9 per cent to ¥15.9bn (US\$163m), while overall sales edged down 1.5 per cent to ¥196.8bn due to a sharp decline in sanitary products sales. After-tax profits advanced 1 per cent to ¥7.8bn.

Sales of Shiseido's new lipstick line, launched in July, totalled a record 2.3m units in the first two months, helping

sales of the company's cosmetic division rise 1.5 per cent to ¥140.7bn. Revenue from its beauty salons, foods and drugs division fell 1.8 per cent to ¥12.8bn.

For the full year to next March, Shiseido expects parent recurring profits to rise 0.2 per cent to ¥32.5bn, and sales to increase 0.2 per cent to ¥392bn.

NEWS IN BRIEF

Challenge Bank advances to AS\$40.3m

By Nikki Tait

Challenge Bank, the Western Australian banking group, yesterday announced a profit after tax and abnormal of AS\$40.3m (US\$29.9m) in the year to end-September. This compared with AS\$2.4m last year. Operating profit, before abnormal and tax, rose to AS\$65.4m from AS\$3.4m.

Challenge attributed the improved performance to the diversity of its business and the relatively buoyant Western Australian economy.

MIM signs gold pact

MIM, the Queensland-based metals group, and Haoma North West, a smaller Australian mining company, have signed an agreement to develop the Nolan's gold project in North Queensland. The total capital cost of the project, in which MIM has a 50.1 per cent and is manager, is put at AS\$7m.

Ravva deal agreed

Command Petroleum, the Sydney-based company, said that - together with three other joint venture partners - it had finalised a contract to develop the Ravva oil and gas field in the Bay of Bengal. Partners are Videocon Petroleum, Ravva Oil (Singapore) and the government-owned Oil & Natural Gas Corporation.

BHP cuts ties with Woodside

By Nikki Tait

Broken Hill Proprietary, Australia's largest company, yesterday cut its ties with Woodside Petroleum, the energy group which is the leading participant and operator of the North West Shelf gas project, through an institutional placing of its remaining share interests in the company.

Late yesterday, BHP announced that it had sold the 28.3m shares in Woodside which it owned directly at

AS\$4.75 each, raising AS\$135m (US\$100m). It also said that a further 76.8m shares owned by North West Shelf Development, a joint venture company held equally by BHP and Shell Australia, had been offloaded.

The second tranche of shares was disposed of at the same price, raising AS\$66m in total. Shell said the latter sale did not affect its "long-term commitment to Woodside", in which it still holds a 34.27 per cent interest, and to the North West Shelf project.

BHP also said it retained some links to the North West Shelf project through a 16.87 per cent interest in the LNG export project, and a 8.33 per cent share in the domestic gas phase. The BHP-related shares were sold to Wore Stockbroking, which planned to place them with a range of institutional and portfolio investors.

Woodside shares closed 7 cents higher at AS\$5.02 on the Australian Stock Exchange yesterday. BHP shares gained 12 cents to AS\$20.64.

CRA blocks copper plant upgrade

By Nikki Tait

The Southern Copper refinery and smelter at Port Kembla in New South Wales may be closed permanently. This follows the announcement by CRA, the Australian resources group controlled by Britain's RTZ, that it was refusing to support a AS\$30m (US\$170m) upgrade of the facility unless a new partner was brought into

the project to "substantially" reduce CRA's stake.

CRA currently holds a 60 per cent interest in the project, alongside two Japanese investors - Furukawa with 30 per cent and Nissin Iwai Corporation with 10 per cent. Just over half the investment relates to environmental upgrading and the rest to expansion "to achieve a viable scale of operation", and would have taken

place over the next two years.

CRA's move follows four weeks of strike action at the plant. Over 300 employees walked out on October 4 in protest at management plans to cut 40 jobs from the workforce of around 440. There has been minimal production since then. A decision on the plant's future is to be made by the Southern Copper board this month.

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Bank of America, NT&SA The Bank of Nova Scotia
Banque Française du Commerce Extérieur Banque Nationale de Paris
Banque Paribas Bayerische Vereinsbank AG
BHF-Bank Boatmen's Bank of Kansas City
Chemical Bank Crédit Lyonnais
Crédit Suisse FBS Ag Credit, Inc.
Generale Bank Hongkong & Shanghai Banking Corp. Ltd.
Messier-Pierson NV NationsBank
NBD Bank, N.A. The Northern Trust Company
Rabobank Nederland Société Générale
Standard Chartered Bank United States National Bank of Oregon
Wells Fargo Bank

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CHASE **Union Bank of Switzerland**

Latest Rates				Latest Rates				Latest Rates				Latest Rates			
Bid/Ask	Contributor	Loc	Source Deal	Bid/Ask	Contributor	Loc	Source Deal	Bid/Ask	Contributor	Loc	Source Deal	Bid/Ask	Contributor	Loc	Source Deal
LIVE				LIVE				LIVE				LIVE			
Fed Chairman Alan Greenspan boosted dollar by announcing currency's fall was bad for U.S. economy.				Japanese parliament elected Socialist Party's Murayama as Prime Minister causing markets to move.				Bundesbank President Hans Tietmeyer hinted at lower rates in exclusive RFTV interview, stating money supply growth only a problem if expansion resumed.				U.S. Treasury Secretary Lloyd Bentsen added to market confusion over U.S. policy by steering clear of statement on beleaguered dollar during London speech.			
LIVE				LIVE				LIVE				LIVE			
Tietmeyer prompted speculation of future rate cuts when he told a Bundesbank news conference there was no need for worries about inflation expectations in Germany.				President Clinton told G7 news conference in Naples that economic growth was his priority, pushing dollar lower.				U.S. Labor Secretary Robert Reich, speaking exclusively to RFTV, said there was no evidence of post-crisis inflation, warning against over-reaction to non-farm payroll figure.				In exclusive interview after Bundesbank press conference, BUBA board member Oltmanns warned against expecting the magnitude of recent rate cuts to follow recent trend.			
LIVE				LIVE				LIVE				LIVE			
RON BROWN US Commerce Secretary				LIVE				LIVE				LIVE			
U.S. Commerce Secretary Ron Brown pushed dollar down with aggressive comments on the U.S.-Japan trade dispute, in exclusive RFTV interview.				Commenting exclusively to RFTV, Italy's budget minister Giancarlo Paglianni outlined agenda for long-awaited cabinet meeting and gave date for new budget.				In exclusive Reuters interview, Sweden's central bank governor Urban Backstrom attempted to calm markets after surprise rate rise, saying crown undervalued.				U.S. Trade Representative Mickey Kantor discussed U.S. strategy in an exclusive RFTV interview.			
LIVE				LIVE				LIVE				LIVE			
THE WHITE HOUSE				LIVE				LIVE				LIVE			
Portuguese Finance Minister Manuel Pinho gave an exclusive interview to Reuters during the Escudo crisis.				Fed Chairman Alan Greenspan announcement that strong and reliable dollar was important to world markets bolstered U.S. currency by half a penny.				Bank of France Governor Jean-Claude Trichet forecast further falls in French inflation during address in London transmitted exclusively to RFTV viewers.				RFTV transmitted interviews with 5 G7 finance ministers including Kenneth Clarke - U.K.			

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Fixed income trading floor, Milan

JPMorgan

COMPANY NEWS: UK

GrandMet taps new market for \$500m

By Richard Lapper

Grand Metropolitan, the food and drinks group, is to raise \$500m (£316m) in the United States through an issue of perpetual fixed rate preferred securities, a financial instrument similar to preferred stock.

The issue, one of the biggest in the US preferred market this year, is part of the group's efforts to reduce its short-term debt and diversify funding sources. It follows a \$1.2bn zero coupon bond and a \$600m Eurobond issue earlier this year.

Part of the attraction is the tax advantages linked to the way the deal has been structured. A new subsidiary set up as a limited partnership in the state of Delaware, will issue the securities and then lend the proceeds back to the UK parent.

The coupons on the inter-company loan will be tax deductible. Delaware company

law allows businesses to be classed as partnerships for tax and companies for reporting purposes.

"We have developed a structure which provides the economic equivalent of a parent issue of preferred stock at an attractive cost," explained Mr Nick Rose, group treasurer of GrandMet. "It will further lengthen the maturity profile of our funding and will improve gearing and interest cover."

Mr Calum Osborne, executive director, capital markets, at Goldman Sachs, co-lead manager of the issue and bookrunner, said the deal could be a model for other companies seeking to raise capital in the US.

Although the new securities will be classified as "minority interests" and give the company a similar degree of flexibility as an equity issue, funding costs will be lower than an issue of preference shares and only slightly more expensive -

40 basis points more according to Mr Rose - than an issue of debt.

UK and other European companies have ventured into the US preferred market over the last five years, but this is the first time a UK group has issued preferred securities.

"Preferred securities are low cost, non-voting securities, [and] represent an attractive and important source of non-dilutive, quasi equity capital, which to date have been unavailable to UK corporations," said Goldman Sachs.

GrandMet also hopes to widen its investor base in the US, arguing that the paper should prove attractive to retail investors.

"It is an important development in the evolution of UK and other foreign issuers to access the fixed rate preference share market," said Mr Bruce Macfarlane, a managing director at Merrill Lynch, the other co-lead manager.

Samax seeks £16m in issue and placing

By Kenneth Gooding, Mining Correspondent

Samax, which is developing a graphite mine in Tanzania and a gold mine in Ghana, hopes to raise about £16m this month with an issue and placing of new shares, which will be listed on the London Stock Exchange.

The company was set up in 1989 by Mr Michael Martineau, its managing director, and Mr John Park, operations and finance director, who each have more than 25 years experience in the minerals business, partly with British Petroleum and more recently with Cliff Resources.

Samax's activities so far have been financed primarily by the Addax & Oryx Group, described in the pathfinder prospectus yesterday as a private, Europe-based group involved in trading and related operations in Africa. Addax will remain a substantial shareholder after the placing by stockbrokers Credit Lyonnais Laing.

Mr Martineau said: "The flotation will give Samax access to capital and a higher profile. Exploration is the excitement for our future, our portfolio is already valuable and a higher profile will increase the number of projects offered to us."

The prospectus says that both the graphite mine, at Merelani, some 14km south west of Kilimanjaro airport in Tanzania, and the gold mine, at Prestea in south west Ghana, are scheduled to begin commercial production in the first half of 1995.

The pre-tax net present value of the group's interest in these mines is calculated by independent consultants to be about £33m.

Samax also has interests in mineral exploration projects in Tanzania, Ghana, Congo and Senegal. Mr Martineau said these projects were typically in areas where there was previous evidence of gold mining and where there was potential for economically recoverable reserves. Not enough work has been done on these projects for any value to be ascribed to them.

Heron's creditors stifle a yawn

Christopher Price finds financial interests have overcome apathy

Boredom has been among the biggest problems faced by the corporate financiers trying to stitch together the offer for Heron, which was published yesterday after five months of careful negotiations.

"Heron has been through so many crises, restructurings and meetings over the past three years that everyone involved is frankly bored to death with it," said one banker close to the negotiations.

"They just want the situation over with."

Not that any apathy over the proceedings interfered too greatly with the various parties' financial interests. Heron creditors are split into two basic groups. First, there are those who were the subject of yesterday's offer from HNV Acquisition - namely creditor banks, numbering around 30, several thousand bondholders and other shareholders of Heron Group. These are owed a total of £20m.

The second group comprises creditors of Heron's subsidiaries, who are owed around £220m. HNV's bankers have secured the agreement of this group to the Heron restructuring, provided the main Heron creditors accept the offer on the table.

This group is divided into UK and Spanish property interests. There are about 35 creditors to the UK side, owed in the region of £120m. The 18 creditors to the Spanish interests are owed the balance.

The UK creditors to the subsidiaries were the easier of the two to bring on board, according to sources close to the negotiations - partly because their loans are secured on a strong portfolio of properties,

and also because several banks belonged to both sets of creditor groups.

The offer document puts pro forma net assets for the UK business at £302m. However, the net asset figure for the Spanish side only reaches positive territory after an agreed injection of some £17m from HNV on completion of the deal.

Negotiations on this part of the deal were politely described as "strenuous" by one of the bankers present: "The Spanish were worried that they might lose money on this. There was some tough talking."

That done, the deal must now be sold to the bankers, bondholders and shareholders of the parent company, some of whom face a second dilution of their investments in just over a year. Under a £1.3bn refinancing agreed in September 1993, the banks and bondholders had their debt converted into senior and junior debt. The senior bank debt is about £120m, while the senior bond debt amounts to £180m. There is also some £74m of junior debt.

HNV is offering £350 in cash or 300 HNV shares for every £1,000 of senior bonds, £50 or 40 shares for every £1,000 of junior bonds and £750 or five shares for every 1,000 common shares.

HNV says it is "optimistic" partly because the banks concerned have been aware for some months of the terms proposed. A steering committee of the frontline lenders has been authorising Heron's banking facilities.

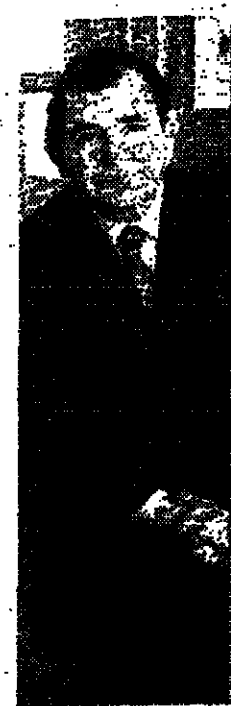
It has also had access to the main details of the offer since the first document was published five weeks ago.

The attitude of the bondholders is less predictable. It was their decision last April - insisting that Heron make a payment previously defaulted on - that precipitated the failure of the refinancing and the company being put up for sale.

"We will definitely be analysing this document and letting bondholders know exactly what they are getting out of this offer," said Mr Gary Klesch, managing director of Klesch & Co, an investment group.

Plight of the Heron

- August 1991: Gerald Ronson, founder, jailed for six months and fined £5m for his part in the Guinness fraud trial.
- October 1991: Bonds, which Heron issued extensively, reach trading lows in Zurich.
- January 1992: Ronson admits losing some £200m on US property market in past four years.
- March 1992: Debts reach £1.4bn on net assets of £585m. Heron asks banks and bondholders for all debts to be rescheduled.
- April 1992: Results to March 30 show first loss - of £100m - in the company's 28 year history.
- April 1993: Lord Boardman becomes Heron chairman; Ronson remains chief executive.
- May 1993: Ronson agrees £4m five-year salary package with Heron.
- September 1993: Debt rescheduling agreed. Ronson's ownership diluted from 100 to 5 per cent.
- April 1994: Heron defaults on payments to bondholders.
- May 1994: Bondholders demand payment; restructuring plan fails; Heron put up for sale.
- September 1994: HNV, run by Steven Green, makes formal offer.
- November 1994: Detailed offer published.



Gerald Ronson, former chairman and chief executive of Heron International

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"It still doesn't look very attractive to us."

However, there are signs here too of weary investors wanting it all to come to some sort of conclusion. "Heron has been leaking so much money in fees while all this has been going on I'll be glad to get anything out of it," said one bondholder yesterday.

Privately both Heron and HNV are hoping, in the absence of more positive approval, that the apathy factor will play an important part in gaining approval.

Acquisitions help Danka advance 58% to £21.1m

By Richard Wolfe

Danka Business Systems yesterday announced a 58 per cent rise in interim pre-tax profits as the office equipment supplier continued its expansion across the US.

The company, which is quoted in the UK but operates mainly in the US, reported pre-tax profits of £21.1m (£13.3m) on turnover up 67 per cent to £236m (£141.1m) in the six months to September 30.

The sales increase was underpinned by 17 acquisitions costing \$21m (£13m) in the first half, and organic revenue growth of 14 per cent.

Mr Mark Vaughan-Lee, chairman, said Danka now held a 2.5 per cent market share in both the US and the UK, with the latter expected to double in the short-term. This year the company aims to establish operations in continental Europe and expects a 5 per cent market share within five years.

"If you are operating in Houston or London, the copier industry worldwide is absolutely standard. We feel our formula can be carried into any area," he said.

Overall profit margins were maintained as the company passed on manufacturers' price increases of about 5 per cent.

Margins on which stand at roughly 50 per cent. Supplies and maintenance accounts for almost half of turnover and the company claims revenue of \$1,200 a month from the latest generation of colour copiers, compared with \$80 from black-and-white copiers. Customers typically sign a one-year maintenance contract, which can be cancelled after three months' notice.

Net interest costs rose 46 per cent to £1.83m (£1.25m). Long-term bank loans rose 42 per cent to £26.5m (£44.2m) at September 30, when gearing stood at 134 per cent. Earnings per share rose to

7.5p (5.5p) and the interim dividend is 0.5p (0.75p).

The company also announced the acquisition of American Business Equipment, an Ohio distributor of Sharp equipment, for \$7.6m satisfied by 1.62m shares. American reported pre-tax profits of \$1m on turnover of \$16m last year.

COMMENT

Danka has a consistent track record of boosting profits and turnover through acquisitions in the fragmented US market. While the European copier market is just as fragmented, few US companies have achieved growth on the continent through acquisitions. Analysts forecast pre-tax profits ranging from \$41m to the house broker's \$45m this year, but these could fluctuate according to the strength of the dollar. The upper figure gives a p/e of 19, which is high considering the risks of the expansion strategy.

£5.2m purchase for Olives Property

By James Whittington

Olives Property is continuing its restructuring with a further acquisition and a rights issue.

The company yesterday announced it had agreed to buy a portfolio of properties from Burford Holdings for £5.2m, of which £4.2m will be paid in cash and the rest in shares.

The five retail warehouse and retail properties in the north west of England, which are all let, produce a total rental income of £471,650 a year, representing a net initial yield of 8.8 per cent. Total rental income, before the acquisition, was running at £1.88m a year, said Mr Tony Grant, Olives' chairman and joint chief executive.

In May, the company completed a £10.3m rights issue with which it acquired Hub Estate, a property investment concern in the north of England, and Zineshire, a privately owned property investment company with properties in Swindon and west London.

The latest buy will increase retail warehousing as a proportion of Olives' portfolio from 3 per cent to 14 per cent. Net portfolio worth after the acquisition will be £25m.

Olives recently reported pre-tax profits of £284,404 on turnover of £753,558 for the six months to June 30. Net assets increased from £5.51m to £15.5m, principally because of the rights issue.

Meanwhile, Olives announced it had appointed Mr Geoffrey Lawson to its board as a non-executive director. Mr Lawson has extensive experience in the property sector.

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C&W confirms £40m purchase of BT Marine

By Alan Cane

Cable and Wireless, the UK-based telecommunications company, confirmed yesterday that it is buying the offshore cable-laying division of British Telecom, one of its biggest competitors.

C&W (Marine) will pay about £40m for BT (Marine). BT will remain a ship owner in the Atlantic Cable Maintenance Agreement.

BT (Marine) operates six ships and employs 450 people with a turnover of some £98m. C&W (Marine) has 740 staff and a turnover of around £80m. Its fleet of nine cable-laying vessels, the Cable Venture.

BT is disposing of non-core activities in order to concentrate on global telecommunications services.

Mid-States plans fund raising and US quote

By James Whittington

Mid-States, the US motor parts distributor quoted on the USM, has announced plans to go ahead with a delayed issue of some \$15m (£9.4m) in new ordinary shares in the US along with the implementation of an American Depositary Receipt programme. It also plans to list on Nasdaq to expand its US shareholder base.

Shares in the company, which operates through its subsidiary Mid-State Automotive Distributors of Nashville, Tennessee, rose 3p to 78p yesterday.

Mr Paul Dumond, company secretary, said the move to a US listing was because of "a general lack of interest from London investors in small US businesses". The company might also seek a full quote in London.

The funds raised from the US issue will be used to pay off bank debts of £23m and to help the acquisition of distribution centres and retail stores throughout the US. It bought two businesses in Mississippi for \$2.8m in April.

Mid-States also reported a 21 per cent fall in pre-tax profits for the third quarter to September 30, from \$2m to \$1.6m. £230,000 of which was attributed to the losses in acquired businesses. Turnover increased by 28 per cent to £21.8m (£17.1m).

In the nine months turnover improved 22 per cent to £58.7m (£48m) while pre-tax profits rose by just 5 per cent to £4.85m (£4.61m).

Earnings per share dropped to 2.7p (3.7p) in the quarter and to 7.4p (8.2p) for the nine months after an increased tax charge. There has been no dividend so far this year - a total of 0.75p was paid in 1993.

FT Managed Funds Service

From today, the Financial Times will no longer be publishing the cancellation price on unit trusts - the minimum redemption price. This follows changes announced by the Securities and Investments Board in September, designed to liberalise the industry's pricing structure.

Trusts no longer have to publish cancellation prices, though these will still be available from fund managers, and from today are allowed to impose exit charges.

In place of the cancellation price, the FT will be publishing notes advising on exit and other fund charges.

Calluna at premium

Shares in Calluna, disk drive manufacturer, showed a 42 per cent premium to the flotation price of 65p when they closed at 92p on the USM yesterday - the first day of trading.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - pending dividend	Total for year	Total last year
Danka Business	Int 0.9		0.75	-	1.5
Edinburgh Inc	Int 0.04	Dec 22	-	0.04	-
Fleming Chinese	Int 0.5	Jan 3	-	0.5	-
GSE	Int 1.1	Dec 21	5.8	9.3	9
Lowland Inv Co	Int 1.1	Dec 8	-	-	-

Dividends shown pence per share net except where otherwise stated. (10 increased capital, \$USM stock, 2 Maiden dividend.)

NEWS IN BRIEF

RECRUIT, the employment agency owned by Mr Tony Barry, former chairman of Blue Arrow, has acquired Euro Professionals for £650,000. Euro Professionals and Recruit's recent acquisition, the Mary McCoombe agency, have a combined turnover of £425m.

SAFELAND has acquired 75 per cent of Salmann Harman Healy, a commercial property auctioneer, for up to £495,000, including £247,500 which will become payable if SHH shares are sold in next year.

SEDGWICK GROUP's wholly-owned French credit insurance broking company, Cabinet Bilet, is to acquire Cabinet Dragon, a specialist credit insurance broker based in Aix-en-Provence.

SINDALL (WILLIAM) shareholders approved acquisition of Morgan Lovell and change of company's name to Morgan Sindall. Also, of the 4.1m new ordinary shares subject to the placing and open offer, 2.36m (53.6 per cent) were taken up.

Valid applications were received in respect of 506,336 shares, or 19.9 per cent. WORLD OF LEATHER: Of the 4.02m shares available in its recent 1-for-2 rights issue, 2.4m were pre-placed and 1.17m taken up representing 89.3 per cent.

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Payments of principal and accrued interest will be made, in accordance with the Terms and Conditions of the Bonds, against surrender of the Bonds at the specified office of any of the Paying and Conversion Agents listed below. Each Bond should be presented for conversion together with all unattached Coupons appertaining thereto, failing which the amount of any such missing unattached Coupons will be deducted from the sum due for payment on the Required Conversion Date. Each amount so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time prior to the expiry of 10 years from the due date for payment of such Coupon. Unconverted Bonds will become void unless presented for payment within the period of 12 years from the Required Conversion Date.

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By Hickson Capital Limited 1 November 1994

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Inspirations to launch own airline next spring

By Michael Skapinker, Leisure Industries Correspondent

Inspirations, the tour operator which floated on the Unlisted Securities Market last December, is to launch its own airline next spring.

The airline, to be called International Airways, will be run by Mr Eamonn Mullaney, former managing director of Caledonian Airways, British Airways charter airline.

International Airways is to lease three new Airbus A320 aircraft, to be delivered in April 1995.

Mr Vic Fatah, Inspirations' chief executive, said the launch of the airline posed no threat to the company's future. He said other airlines which had run into trouble, such as Laker Airways, Air Europe and Dan-Air, had done so because

of problems with scheduled services.

International Airways will operate only in the charter market.

Mr Fatah said Inspirations had decided to launch the airline because the price of chartering other companies' aircraft had risen in recent months. He did not think the increases were a temporary phenomenon.

The company said the three aircraft would accommodate nearly all Inspirations' winter customers.

Mr Mullaney said, however, that the aircraft would give Inspirations slightly more capacity than it needed for its own summer customers.

The reason for the disparity was that winter flying involved using the aircraft to reach long-haul destinations such as

India. Summer flights were to destinations such as Palma in Majorca, which is near enough for one aircraft to make the same journey several times in a day.

The company would have no difficulty selling the excess summer seats to other tour operators, said Mr Mullaney.

The new airline would not be dependent on rival tour operators to fill excess capacity on its winter flights as all seats could, if necessary, be taken up by Inspirations' customers.

Mr Fatah said that Inspirations was on target to fulfil its flotation undertaking that it would acquire or start up 50 travel agency outlets in its first year.

He said the company had 47 retail outlets so far, which were being run by the travel agency chain AT Mays.

Looking forward to the end of the price war

James Buxton on The Herald's postponed float

Shockwaves from the newspaper price war have extended far beyond Fleet Street. For The Herald, the Glasgow-based morning paper, the resultant loss of sales has helped postpone its stock exchange flotation, which was expected to take place in mid-1995.

Caledonian Publishing, the paper's owner, badly wants to escape the treadmill of heavy interest payments on the debt taken on when management bought the business from Lomro in May 1992. Lomro sold George Outram, as it was then called, for £74m in a deal organised by the merchant bank Robert Fleming, the lead investor.

The company had to raise a further £20m for working capital and to buy the newspaper presses, which had been leased.

Though costly, the MBO was a cause for celebration in Scotland. A new Scottish company had been born and The Herald had escaped the clutches of an owner which did little to strengthen the business. But the past two and a half years have not been as successful as the buy-out team - led by Mr Liam Kane, chief executive - had hoped.

The Herald, founded in 1783, is one of Scotland's two quality dailies, mainly serving Glasgow and the west of Scotland. It is more cheerful and broad-minded than The Scotsman, whose heartland is around its Edinburgh base and whose circulation is more than 80,000 compared with The Herald's current 111,000.

Caledonian Publishing also owns The Evening Times, the Glasgow evening paper, and a number of magazines, including the Scottish Farmer. Its turnover last year was £59m. After the buy-out Mr Kane, a former News International executive, embarked on strengthening the two newspapers and reducing their operating costs.

The company invested £2m in on-screen page make-up and in introducing new sections to The Herald, devoted to business, homes and gardens, jobs, property and sport.



Liam Kane: still uncompetitive despite cost cutting

The Evening Times launched a weekend newspaper.

A series of cut-backs in the advertising, circulation and production departments have reduced staff numbers in the group from 1,045 at the time of the MBO, incurring exceptional costs of £11m. By the end of this year the headcount will have fallen to 812.

Yet The Herald's circulation has never regained the peak of 125,000 reached in February 1992. The newspaper dropped "Glasgow" from its title but any benefit to sales was cancelled out by economic gloom. Average circulation in the year to September 1993 was 115,000 (119,500).

Despite expensive TV advertising, The Herald has not made as much progress as it had hoped outside Strathclyde region, where sales now stand at about 30,000.

"Economic recovery is under way now but it is led by manufacturing rather than consumption," said Mr Kane.

Caledonian Publishing's operating profit fell from £10m in 1992-93 to £3m in 1993-94, with a drop in operating margin from 17 to 14 per cent.

In July Mr Kane told staff: "Despite a lot of work in reducing costs, we are still hugely uncompetitive compared with the newspaper groups we face in the daily battle for readers and advertisers."

He launched a further programme of cost cutting and redundancies, this time biting

into The Herald's editorial department, and trimmed a staff of 15.

Caledonian Publishing also had to go back to its banking syndicate, led by the Royal Bank of Scotland, to borrow a further £5m. Although it has repaid £5.5m of the £43m it took on in 1992, it faced having to defer repayment of £2m because of its inadequate profit performance and took on another £3m to cover further redundancies and other costs.

That means interest payments, which had declined from £6m in 1992-93 to £5.5m in 1993-94, will rise to about £6.5m this year.

The price war has only aggravated matters. Mr Kane says the cut in the price of The Times last year to 30p did not make much difference to The Herald; but this June the Daily Telegraph cut its price from 50p to 30p, followed by a further price cut by The Times and a cut by The Independent.

Though the bulk of the circulation of The Herald is protected because most of its readers buy it for its Scottish coverage, the price war reduced the paper's sales by 2 per cent this summer. A cut in the The Herald's cover price was out of the question.

However, the largest single effect of the price war, says Mr Kane, is the loss of advertising. Caledonian Publishing's finance director, has been to reduce the price/earnings ratios of newspapers on the stock exchange. "Until there is a change of sentiment regarding national newspapers as well as regionals, then the Caledonian float can wait," he says.

It is projecting pre-tax profits of £5.5m for the current year and Mr Kane says there has recently been some improvement in advertising. A float next year, he says, is "still a possibility".

A flotation would have other benefits for The Herald. "I'm still waiting for them to deliver the product I know they are capable of, but don't seem to have the finance to achieve," says Ms Christine Tulloch, media director of Faulds Advertising, one of Scotland's leading agencies.

At the operating level there was a profit of £95,000, against a deficit of £912,000 last time.

The pre-tax outcome was helped by the absence of exceptional items - last year the company booked an £815,000 loss on disposal of a subsidiary undertaking, less a release of closure provisions of £78,000 made in 1991. The net interest charge rose from £228,000 to £293,000.

Losses per share came out at 1.4p (7.9p).

BPT/Harborne
Bradford Property Trust has increased its offer for Harborne Tenants from 230p to 280p per share, valuing the property investment company at £12.9m.

Harborne shareholders may elect to receive new BPT shares instead of all or part of the cash offer on the basis of 140 new BPT shares for every £280 payable under the offer.

They may also elect to receive £1 nominal of BPT loan notes for every £1 cash entitlement. Other conditions, including the preference offer, are unchanged.

The increased offer follows information relating to the recent revaluation of Harborne's properties.

Newport at £25,000
Newport Holdings, the property investment company which came to the market in March, had pre-tax profits of £25,000 in the three months to June 30. Net rents receivable amounted to £377,000 and earn-

Biocompatibles considers offer despite imminent flotation

By Tim Burt

Biocompatibles International, the research company aiming to raise £40m from its imminent flotation, was yesterday said to be discussing a possible takeover offer.

The loss-making company, which has developed a new type of contact lens, was expected shortly to announce the pricing for its shares as part of a placing and intermediaries offer.

Directors of the company, however, have recently been considering proposals for a joint venture, merger or sale. The bid is thought to have emerged only after the publication last month of its pathfinder prospectus.

That showed that Biocompatibles, which describes itself as a manufacturer of medical devices rather than a biotechnology business, had accumulated losses of £9.7m at the end of June, and warned that investment in the company involved a higher than normal degree of risk.

Robert Fleming, sponsors to the issue, said impact day had not been delayed, adding that "there had never been a fixed timetable for the pricing".

If the flotation goes ahead, the group is expected to have a market value of about £80m.

Of the £40m which is being raised, £25m will be placed firm, with the balance available to meet retail demand through intermediaries.

Panther makes £1.13m for six months

In its first results since taking over Etonbrook Properties in July, Panther Securities, the property company headed by Mr Andrew Perloff, reported pre-tax profits of £1.13m for the six months to June 30 against £707,354 for the year to December 31.

The result included a £920,000 profit on the disposal of shares in Cementone, formerly Multitrust. Panther now has 85 per cent of Etonbrook. Mr Perloff said that although the acquisition had brought £2.5m in cash and £2.2m of uncharged properties before the minority interest, the benefits would not be apparent until the second half.

Turnover amounted to £3.47m (£3.28m for 12 months). Earnings per share were 49.3p (33.8p) and an interim dividend of 1.1p is declared. A 1.6p final is anticipated.

Campbell & Armstrong cuts losses

Campbell & Armstrong, the shop and office fitting group, cut pre-tax losses from £1.88m to £198,000 in the six months to June 30.

Turnover in the period rose by 8.6 per cent from £24.5m to £26.6m. Last year's figure, however, included £168,000 from discontinued operations. At the operating level there was a profit of £95,000, against a deficit of £912,000 last time.

The move comes as a result of VDL's long-standing non-compliance with the rule that companies more than 25 per cent of the share capital to be in public hands.

Tasman Agriculture, VDL's majority shareholder, is to make the minority shareholders a cash offer for their shares following the delisting. The directors of VDL will then announce details of a rights issue to finance development of the Woolnorth farming assets.

Pascoe's cuts loss
Pascoe's Group, the pet food manufacturer, reported that the expected improvement in the six months to July 2 did not materialise. Mr Douglas Strachan, chairman, blamed "several unforeseen factors".

He added that the results reflected the costs of restructuring the business.

The shares closed at 30p, a fall of 25 per cent since before the results announcement.

On turnover of £4.36m (£3.31m), including £25,000 (£4.12m) from discontinued activities, pre-tax losses were halved at £1.26m (£2.5m). The result was stuck after provisions of £809,000 (£1.13m) relating to property write-downs.

The company expects net assets to fall below half paid up nominal share capital and has arranged for a £400,000 convertible loan note to be issued to an existing shareholder.

Third promising treatment makes company one of best in sector

British Biotech new cancer drug

By Daniel Green

The first clinical trials of a new cancer treatment from British Biotech, revealed yesterday, showed that the drug has no significant side effects and triggers a potentially useful reaction in volunteers.

The drug, code-named BB-10010, is the third of British Biotech's cancer drugs to show promise in trials.

The success so far of the others, led by Batimastat, has made the company one of the best share-price performers this year in the UK and US biotechnology sectors.

Yesterday, the shares rose 18p to 598p, giving a market value of almost £300m, making it the tenth biggest in the UK and US sectors combined.

BB-10010 was tested on 36 healthy volunteers. As well as demonstrating its safety, tests on the volunteers showed that the number of white blood cells in the blood increased, as predicted in animal trials.

Quantitative measurements of this effect will be made at the next stage of trials.

The drug has two potential uses: to protect the bone marrow from damage during chemotherapy and to mobilise white blood

cells so that they can be "harvested" from the blood before chemotherapy and re-injected afterwards. Currently, patients have bone marrow itself removed before chemotherapy and replaced afterwards, an awkward and painful treatment.

● Tepnel Life Sciences, the biotechnology company, has signed a marketing deal for its Daras technology, a product for screening DNA patterns in infectious diseases. Peers, the New York-based subsidiary of the Long-Term Credit Bank of Japan, will seek suitable licensing or joint venture partners for Tepnel in Japan.

Improving the survival index

Daniel Green and Tim Burt analyse biotech investment prospects

Is the UK biotechnology sector now becoming respectable?

British Biotech has consolidated its position in the world's top handful of biotechnology companies by market value, and others, such as Celltech and Scotia, are making steady progress through clinical trials.

But investors have yet to be convinced.

British Biotech is alone among those joining the market in recent years to see its shares remain above the flotation price.

And the sister sector in the US continues to labour under the burden of poor sentiment.

Investor scepticism in the US has left companies there in serious financial difficulties. Accountants Ernst & Young say 50 per cent of the industry has sufficient capital only for the next two years.

In its latest biotechnology annual report, the firm has cut its survival index - the time until the cash runs out - for the median US company from 34 months to 26 months. Some 26 per cent of companies are scheduled to run out of cash within a year unless they can find new sources of finance.

This is happening at a time

when investor confidence in the sector is at a low ebb.

There has been a series of failures - three in the last two weeks alone - of drugs at the latest stages of clinical trials, when most of the uncertainties ought to have been eliminated.

The consequence of failure is usually a slide in the company's share price and an unforgiving mood among investors, most of whom have yet to warm to the sector.

Without the confidence of City or Wall Street investors, biotech companies have turned for funding to drugs companies. Deals have been concluded, for instance, between Celltech and Merck, Proteus and American Home Products, and Celltech and Bayer of Germany.

The strategy is risky because pharmaceuticals companies try to buy control of a biotechnology company's products.

Mr Bernard Taylor, chairman of the acquisitive drugs company Medeva, warns that biotech companies which seek support through alliances are "selling their birthrights".

Nevertheless, Mr Louis da Gama, executive director of the Biotechnology Association, says that "mergers and acquisitions are likely to be the dominant

aspect of the industry over the next five years".

Biotechnology company executives recognise that strategic alliances may cost a company dearly in terms of lost future earnings.

They follow two simple strategies to limit the damage:

● Good news items about progress, however minor, in drug trials is published. Little effort is made to point out that success at the early stages means little.

Less than one third of drugs that successfully complete Phase 1 trials eventually become products, according to stockbroker Lehman Brothers.

Some UK biotech companies are asking us to accept 'good news' without so much as even a scientific meeting abstract let alone a peer reviewed publication," complains Mr Ian Smith, an analyst with Lehman Brothers.

He says that UK biotech companies are not as vulnerable to failure as many of their US rivals because they have broader development portfolios.

Nevertheless, the statistics imply that some of the UK biotech sector's drugs that now look promising will fail at some stage.

The sector may be approaching respectability, but it is in its nature to continue to deliver a few nasty surprises.

Drugs are pushed through trials quickly because the more advanced the clinical research, the higher the price it fetches in cash-raising negotiations. Some borderline drugs that might have been dropped by a larger company make it through to the late stages of testing. Only in the glare of large scale trials do they show up their weaknesses.

But these tactics risk lulling investors into thinking their company is doing better than it really is.

Some UK biotech companies are asking us to accept 'good news' without so much as even a scientific meeting abstract let alone a peer reviewed publication," complains Mr Ian Smith, an analyst with Lehman Brothers.

He says that UK biotech companies are not as vulnerable to failure as many of their US rivals because they have broader development portfolios.

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The sector may be approaching respectability, but it is in its nature to continue to deliver a few nasty surprises.

Northumbrian Foods continues recovery

By Joan Gray

Northumbrian Fine Foods, the USM-quoted cake and biscuit maker, continued its recovery with an increase in interim pre-tax profits from £104,000 to £255,000, and may return to the dividend list once a group reorganisation is completed.

The recovery was helped by a continuing improvement in the manufacturing side, further growth in the distribution business and a five months' contribution from Jesse Oldfield, the cake maker NFF

bought for £2.56m in April.

Operating profit for the six months to September 30 was ahead at £566,000 (£248,000), with £221,000 (nil) from acquisitions. Turnover was up at £12.3m (£9.09m), with acquisitions contributing £3.76m (nil).

The company is reorganising its structure to increase efficiency and reduce costs, said Mr Philip Wilbraham, chairman. This will also enable it "to resume dividend payments when appropriate earnings and gearing levels allow".

Earnings were 0.59p (0.28p).

GBE shares down to 33p after fall into red

Shares in GBE International, the engineering company, fell 5p to 33p, their lowest level of the year, following the announcement of losses for the first half of 1994 and the immediate departure of its finance director.

The company said its pre-tax loss of £3.55m, against profits of £1.08m, followed a review of its order book, costs and manufacturing processes. Turnover fell by £3.3m to £15m.

Mr Gerald Edwards, chairman and chief executive, said the company was now trading

profitably but it would still be in loss at the year end. He added that he was optimistic for 1995.

Although losses per share were 5.53p (earnings 1.37p) an initial interim dividend of 0.5p is being paid and a final dividend of at least 1p is expected. Last year there was a single payment of 1.25p.

The core process engineering division suffered operating losses of £3.87m (profits £1.3m). Packaging profits improved from £6,000 to £158,000.

NEWS DIGEST

Rackwood advances

Pre-tax profits at Rackwood Mineral Holdings rose from £29,000 to £111,000 for the half-year to June 30, helped by a £283,000 profit on the sale of its Old Leyland Green Remainder site.

The opencast mining group had operating losses of £130,000, compared with profits of £250,000, on turnover down 44 per cent from £2.97m to £1.67m.

Earnings per share came out at 0.44p (0.18p), and there is no interim dividend.

Fairbriar trims loss

Pre-tax losses at Fairbriar, the property management group, were down 3 per cent for the half-year to June 30, at £1.51m compared with £1.55m.

Turnover, at £6.19m, was 2 per cent down on £6.31m last time. The figure relates to sales of properties covered by the limited resources arrangements. The profit from properties covered by these arrangements is not recognised in the profit and loss account, but are used to reduce secured creditors' debt.

Losses per share came out at 7.9p (8.14p).

Lowland Investment

The net asset value per share of Lowland Investment Company was virtually unchanged over the 12 months to September 30 at 282.3p, against 282.4p a year earlier.

Net revenue was also static at £2.21m (£2.23m). Earnings came out at 9.4p (9.45p) and the proposed final dividend of 6p (5.8p) makes 9.3p (9p) for the year.

The primary objective of the trust, which is managed by Henderson Touche Remnant, is to give shareholders a higher than average income return of both income and capital over the medium to long term.

Abtrus New Thai

Abtrus New Thai Investment Trust had a net asset value per share of 210.12p at August 31

against 126.35p a year earlier and 179.05p at the February year-end.

Fully diluted, the values were 192.99p, 122.5p and 165.5p respectively.

Net revenue for the six months amounted to £219,887 (£285,877) for earnings of 1.46p (0.66p) per share.

ICD £1.09m ahead

International Communication & Data, the USM-traded marketing services and database group, reported pre-tax profits of £1.09m for the year to May 31, compared with a £4.92m loss for the 15 months to May 31 1993. The group returned to the black at interim stage, with a pre-tax profit of £191,000.

The £6m turnaround was partly the result of a substantial decrease in exceptional costs, which helped bring about an operating profit of £1.7m (£3.32m loss). ICD also made a £48,000 profit on disposal of The Database Group, compared with a £93,376 goodwill write-off during the previous period.

Earnings per share emerged at 2.2p (6.2p losses).

Edinburgh Inca

Edinburgh Inca Trust, the specialist Latin America trust launched in February by Edinburgh Fund Managers, had a net asset value per share of 56.55p at September 30.

That represents a 18.6 per cent improvement over the period from commencement of trading on April 5, and compares with an 11.4 per cent rise in sterling terms of the benchmark FTCI Latin American Index.

Net revenue for the period was £71,000, which represented in the main interest received on initial cash balances following the trust's launch. This level of revenue would not be repeated in the coming year, the directors said.

Earnings per share emerged at 0.063p. In accordance with the rules governing investment trusts, the company is obliged to pay a dividend, and a 0.04p distribution is recommended.

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COMMODITIES AND AGRICULTURE

LME ready for US warehouses to stock copper

By Kenneth Gooding, Mining Correspondent

The London Metal Exchange seems certain to plug a big gap in its international coverage early next year by allowing its warehouses in the US to stock copper.

The US is the biggest consumer of copper in the world but it is also the second-largest producer. When the LME's first authorised warehouse was opened there in 1992 copper was excluded because, it was said, the LME did not feel the time was right to challenge the New York Commodity Exchange's copper contract.

There was another reason: copper at that time was traded in the LME "ring" in sterling while Comex copper was traded in dollars and this gave occasional arbitrage opportunities to LME traders. However, subsequent turbulence in the currency markets caused a change of heart among most London-based traders, so the copper contract was switched to dollars in July last year.

It was obvious then that it would not be very long before the LME put copper into its US warehouses, particularly as its present chairman, Mr Raj Bagri, was determined to enhance the exchange's international status. "There can be no no-go areas," he insisted.

Mr Bagri said yesterday at a

ceremony to mark the LME's move to new premises in Leadenhall Street, in London's financial district, that the question of expanding the warehousing network was "at the top of the LME's agenda."

He would not say more but traders suggested last night that the topic might be raised at this month's board meeting after which there would have to be a 90 day "consulting" period before the move to put copper into the US could be confirmed.

The LME has spent \$5m to refit its new premises, on which it has a 30-year lease, to produce a trading floor and auxiliary activities to suit its needs exactly. The traditional seats in the "ring" have been incorporated along with modern communications booths and small offices for members in an area twice as big as the LME's previous home in Plantation House, Fenchurch Street, a short walk away.

However, Mr David King, the chief executive, insisted that the LME had no present intention of changing its trading practices. For example, there were no plans to switch to all-day trading from the present methods - an inter-office telephone market and two open-outcry floor sessions. This is little different from the system the exchange used 100 years ago.

MARKET REPORT

Gold hits 9-week low

The GOLD price slumped to its lowest level in nine weeks yesterday as US investors showed patience with the lacklustre market broke in a wave of selling, dealers said.

An unusually long London fixing session ended with the price at \$383.75 a troy ounce. It ended at \$384.50, still \$2.40 down from Friday's close.

"It goes to show that these funds can control this market completely and there is nothing you can do about it," one dealer commented.

London Commodity Exchange COFFE futures slipped on what traders called a bearish private forecast for Brazil's 1995-96 crop. Compiled from Reuters

N American wood-pulp prices raised again

By Bernard Simon in Toronto

Several North American wood-pulp producers have announced their fifth price rise of the year to levels that are roughly double those at the bottom of the cycle in mid-1993.

The producers plan to raise the price of northern bleached softwood kraft pulp, the industry's benchmark product, by US\$50 to \$750 a tonne on January 1. The increase, if successful, will bring prices to within striking distance of the record

\$940 reached in 1989. The world pulp market has been buoyed by a strong rise in paper consumption, especially in Europe and South-east Asia, and by fears of a strike at pulp and paper mills in British Columbia. Demand is so strong that many North American producers are unable to meet their customers' full requirements. World-wide producer stocks have fallen by almost half from the peak reached last year.

According to the Canadian

Pulp and Paper Association, Canadian pulp mills operated at 96 per cent of capacity during the first nine months of this year, up from 85 per cent in 1993. Shipments of market pulp to western Europe climbed by 81 per cent to Japan by 39 per cent and to the rest of Asia and Africa by 49 per cent.

Analysts are divided on whether and for how long the price surge will continue. Mr Chip Dillon of Salomon Brothers in New York recently

forecast that NBSK prices would peak at \$800 a tonne in 1997. Like many other market watchers, however, Mr Dillon predicts a correction in early 1996, reflecting the start-up of two large new mills in Indonesia and a slowdown in the stocks build-up.

The unexpectedly steep climb in pulp prices last week led Kimberly-Clark, the Dallas-based papermaker, to cancel a plan to spin off its pulp mills in Ontario and Alabama into a new public company.

US plans food aid for former Soviet bread basket

By Alison Maitland

The US hopes to sign an agreement to provide Ukraine, once the Soviet bread basket, with \$20m in food aid as a safety net in its transition to a market economy.

Mr August Schumacher,

head of the US Department of Agriculture's foreign agricultural service, said in London yesterday that the aim was to avoid food shortages in the cities as agricultural reforms took effect. The agreement is expected to be signed when President Leonid Kuchma vis-

its Washington at the end of this month. "We're exploring with Ukraine whether more will be needed, and we're hoping Europe will also be able to help," said Mr Schumacher, who spent last weekend in talks in Kiev.

He said the aid would be part

of the World Bank/International Monetary Fund stabilisation programme for Ukraine. It was vital that Ukraine, with 55m people, should have fertiliser and seeds for spring wheat planting next year and foreign exchange to buy harvesting machinery and spare parts.

Coffee recovery falls short of bonanza for Colombia

Improved returns will allow farmers to repay loans and renew plantations, writes Sarita Kendall

High coffee prices are bringing relief and recovery but it is too soon to talk about a bonanza, according to Colombian coffee growers.

Just as the National Coffee Fund will be able to pay off debts and move into the black, so too the farmers are planning to repay loans and renew plantations as they gather in the main harvest.

"Many of the farms here are in a poor state," says Mr Alberto Restrepo, director of the Risaralda coffee growers' committee. "But the small farmers, who make up 80 per cent of the producers in Risaralda, were not so badly affected by the crisis because they supply their own labour and grow their own food. Even so, the growers should be getting a bigger share of the international price so that production can recover quickly."

The support price paid to coffee growers in Colombia has been increasing steadily and

now stands at the equivalent of about US\$ 1.10 a pound. It is the most important of several instruments used by the government and the coffee growers' federation, Fedecafé, to control production and protect farmers from the ups and downs of the international market. If the support price is too generous it can start another cycle leading to over-production.

Colombia's 1993-94 coffee harvest is estimated at 11.6m bags (60kg each), probably rising to 12.3m bags in 1994-95. Compared with the 1991-92 peak of more than 17m bags, these figures are low, largely because of the spread of broca disease, a low rate of plantation renewal and the use of fertilisers. About 50,000 hectares out of the total 1.1m devoted to coffee in Colombia have also been eradicated over the last two years.

However, some farmers have kept their plantations in good order. Luis Alberto Ardia, who

has 3.5 ha under coffee on steep hillsides in Risaralda, co-ordinates one of the Fedecafé farmers' groups in his area and has been learning how to live with broca, applying insecticide and a fungus he himself propagates.

"The broca insect enters the coffee cherry about 100 days after flowering; in Colombia the plants flower so often that the producer has to pick the fruit constantly through the year to prevent broca infestation and this puts his costs up by about 8 per cent. Mr Ardia says that only 3 per cent of his coffee is affected by broca. Despite Fedecafé's intensive education efforts, many farmers are less careful and some 10 per cent of Risaralda's crop is damaged.

"Now the price is better I'm working with more spirit. Last year I cleared one lot of coffee plants but I couldn't renew them because of the economic situation. With this harvest I can pay my debts and put

something back into the farm," says Mr Ardia.

Although the previous two years were particularly lean ones for Colombia's 300,000 coffee producers, decades of investment in roads, electricity and social welfare programmes have given the coffee growing region a relatively high standard of living and low level of violence.

Now Fedecafé is introducing "greener" methods using far less water for the de-pulping process and, instead of tipping the pulp on to valley slopes where it will contaminate streams, farmers are mixing it with other organic rubbish and worms to make rich humus.

"We're reforesting to protect the springs and watersheds. The only thing to do about the water problem is to educate, educate, educate," says Mr Restrepo.

"The spending cuts affected infrastructure projects but not

PNG miner expects Lihir gold lease soon

By Nikkai Tait in Sydney

Niugini Mining, the Papua New Guinea-based company which is controlled by Canada's Battle Mountain Gold, said yesterday that it expected the crucial "special mining lease" which would allow the Asibim development of the Lihir gold mine to go ahead, to be issued before the end of the year.

The Lihir project, which is joint venture between Britain's RTZ and Niugini Mining and would become one of the world's largest gold mines outside of South Africa, has been clouded by uncertainty for the best part of a year as the PNG government has debated the project's structure, and tried to determine what stake local landowners should be given.

A break-through came in August, when Mr Pias Wingi,

PNG's former prime minister, was replaced by Sir Julius Chan, who quickly indicated that priority would be given to resolving the situation. However, Niugini Mining's statement yesterday - part of its quarterly operations report - was the firmest indication of the timetable now expected.

Niugini Mining said that the landowners' stake in the project would be met from the PNG government's share, which would be pegged at 30 per cent as originally planned. "Landowners are expected to respond to a government proposal concerning landowner equity in late October," it said.

Financing for the project is expected to comprise a mix of debt and equity - again, in line with the original scheme. Niugini Mining said work on the equity issue, halted earlier this year, had recommenced.

the technical assistance programmes. The small grower here is technified and very receptive to new things like fish breeding ponds, rabbits, worms - everything. Colombia's 1994 coffee income is forecast at over US\$1.7bn, compared with US\$1.2bn in 1993. Even the most conservative estimates suggest that next year's earnings will be above US\$2 bn, which means that US\$800m or more can be saved abroad for difficult times.

Over the past five years Fedecafé has slashed all budgets, nearly halved its staff and cut marketing costs. As a result the federation - which handles about half the country's exports on average - is now as efficient as the private exporting companies.

The special commission set up to study Colombia's coffee sector recommended earlier this year that Fedecafé should not play such a big part in exports. "The federation

thinks that it's not possible to divorce marketing from stability; the commission wants to keep the domestic support price system in place, so we need a cash flow to maintain stocks and so on," says Mr Diego Pizano at Fedecafé. "Missions from other producer countries have been coming to see how the Colombian model works. By managing three variables - support price, credit and technical assistance - we have control over the production level."

Production is well below the ideal level of 18m bags defined by the commission, but should reach this in 1996-97. With suppliers agreements covering over 15m bags and domestic consumption of about 1.5m bags, the 15m target is realistic, says Mr Pizano. But if prices drop again in two years' time and the revaluation of the peso continues, there could come a moment when Colombia's ability to compete will be seriously undermined.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Cash	3 mths
Close	1787-8	1808-10
Previous	1805-5	1827-8
High/Low	1807-1	1829/1790
AM Official	1801-2	1812-2
Kerb close	1812-3	1812-3
Open int.	290,408	
Total daily turnover	58,635	

ALUMINIUM ALLOY (\$ per tonne)

	Close	Previous	High/Low
Close	1785-5	1820-6	
Previous	1780-0	1815-5	
High/Low	1815	1815	
AM Official	1785-0	1820-5	
Kerb close	1815-25	1815-25	
Open int.	2,728		
Total daily turnover	470		

LEAD (\$ per tonne)

	Close	Previous	High/Low
Close	653-4	659-70	
Previous	655-7.5	671-5-2	
High/Low	654	674-00	
AM Official	657-5-8	673-5-5	
Kerb close	670-1	670-1	
Open int.	43,556		
Total daily turnover	5,374		

NICKEL (\$ per tonne)

	Close	Previous	High/Low
Close	7195-205	7210-5	
Previous	7210-5	7230-40	
High/Low	7210-5	7230-40	
AM Official	7210-5	7230-40	
Kerb close	7210-5	7230-40	
Open int.	67,255		
Total daily turnover	17,041		

ZINC, special high grade (\$ per tonne)

	Close	Previous	High/Low
Close	6870-80	6955-90	
Previous	6885-85	6970-90	
High/Low	6885-85	6970-90	
AM Official	6905-15	6985-90	
Kerb close	6905-15	6970-90	
Open int.	16,255		
Total daily turnover	5,441		

COPPER, grade A (\$ per tonne)

	Close	Previous	High/Low
Close	2894-6	2948-50	
Previous	2875-5-0.5	2965-50	
High/Low	2882-50	2962-50	
AM Official	2893-4	2953-3-3	
Kerb close	2923-73	2953-4	
Open int.	222,673		
Total daily turnover	31,944		

LME AM Official 0% rate, 1.8228

LME Clearing 0% rate, 1.8238

Spot 1.8333 3 mths 1.8343 6 mths 1.8319 9 mths 1.8288

HIGH GRADE COPPER (COMEX)

	Close	Previous	High/Low
Close	123.00	124.00	122.50
Previous	122.00	121.70	121.27
High/Low	121.00	122.30	121.00
AM Official	121.10	121.10	121.10
Kerb close	121.10	121.10	121.10
Open int.	118.10		
Total daily turnover	61,753		

PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.) \$ price 2 equiv.

Close 384.50-54.70 2 equiv.

Opening 387.10-387.50 2 equiv.

Morning fix 387.40 2 equiv.

Afternoon fix 386.85 2 equiv.

Day's Low 387.40-387.50 2 equiv.

Day's High 387.40-387.50 2 equiv.

Previous close 387.00-387.10 2 equiv.

Leap LHM Mean Gold Lending Rate (Vb US\$)

1 month 4.50 6 months 5.12

2 months 4.50 12 months 5.45

3 months 4.51

PRECIOUS METALS continued

GOLD COMEX (100 Troy oz. \$/troy oz.)

	Close	Previous	High/Low
Close	384.5	387.5	383.5
Previous	384.5	387.5	383.5
High/Low	384.5	387.5	383.5
AM Official	384.5	387.5	383.5
Kerb close	384.5	387.5	383.5
Open int.	384.5	387.5	383.5
Total daily turnover	384.5	387.5	383.5

PLATINUM NYMEX (50 Troy oz. \$/troy oz.)

	Close	Previous	High/Low
Close	418.7	421.1	418.7
Previous	418.7	421.1	418.7
High/Low	418.7	421.1	418.7
AM Official	418.7	421.1	418.7
Kerb close	418.7	421.1	418.7
Open int.	418.7	421.1	418.7
Total daily turnover	418.7	421.1	418.7

PALLADIUM NYMEX (100 Troy oz. \$/troy oz.)

	Close	Previous	High/Low
Close	161.0	161.0	161.0
Previous	161.0	161.0	161.0
High/Low	161.0	161.0	161.0
AM Official	161.0	161.0	161.0
Kerb close	161.0	161.0	161.0
Open int.	161.0	161.0	161.0
Total daily turnover	161.0	161.0	161.0

SILVER COMEX (100 Troy oz. \$/troy oz.)

	Close	Previous	High/Low
Close	582.4	582.4	582.4
Previous	582.4	582.4	582.4
High/Low	582.4	582.4	582.4
AM Official	582.4	582.4	582.4
Kerb close	582.4	582.4	582.4
Open int.	582.4	582.4	582.4
Total daily turnover	582.4	582.4	582.4

CRUDE OIL NYMEX (42,000 US galls. \$/barrel)

	Close	Previous	High/Low
Close	18.10	18.10	18.10
Previous	18.10	18.10	18.10
High/Low	18.10	18.10	18.10
AM Official	18.10	18.10	18.10
Kerb close	18.10	18.10	18.10
Open int.	18.10	18.10	18.10
Total daily turnover	18.10	18.10	18.10

CRUDE OIL IPE (\$/barrel)

	Close	Previous	High/Low
Close	18.10	18.10	18.10
Previous	18.10	18.10	18.10
High/Low	18.10	18.10	18.10
AM Official	18.10	18.10	18.10
Kerb close	18.10	18.10	18.10
Open int.	18.10	18.10	18.10
Total daily turnover	18.10	18.10	18.10

HEATING OIL NYMEX (42,000 US galls. \$/barrel)

	Close	Previous	High/Low
Close	18.10	18.10	18.10
Previous	18.10	18.10	18.10
High/Low	18.10	18.10	18.10
AM Official	18.10	18.10	18.10
Kerb close	18.10	18.10	18.10
Open int.	18.10	18.10	18.10
Total daily turnover	18.10	18.10	18.10

GAS OIL IPE (\$/barrel)

	Close	Previous	High/Low
Close	18.10	18.10	18.10
Previous	18.10	18.10	18.10
High/Low	18.10	18.10	18.10
AM Official	18.10	18.10	18.10
Kerb close	18.10	18.10	18.10
Open int.	18.10	18.10	18.10
Total daily turnover	18.10	18.10	18.10

NATURAL GAS NYMEX (10,000 cu ft. \$/unit)

Age	100.00	4.71	100.00	100.00	2,400
Total					104,381 10
■ NATURAL GAS NYMEX (10,000 mmBtu; \$/mmBtu)					
	Latest price	Day's change	High	Low	Open int.
Dec	1.980	-0.032	1.975	1.946	29,389
Jan	2.080	-0.014	2.085	2.085	18,013
Feb	2.020	-0.008	2.020	2.010	12,306

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OTHER OFFSHORE FUNDS

Selling Price	Buying Price	+ or -	TY R
		-	

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CURRENCIES AND MONEY

MARKETS REPORT

Sterling firmer on interest rate speculation

Sterling rose on the markets yesterday as speculation about a rise in interest rates intensified, writes Philip Gault.

The trade weighted sterling index finished at 81, its highest level since the beginning of March, but still below a high for the year, around 83, reached in January. The pound finished in London at DM2.4583 against the D-Mark, from DM2.4505, and at \$1.6306, from \$1.6235, against the dollar.

Attention today will focus on the Bank of England's quarterly bulletin, and the inflation report, whose publication will provide the background to tomorrow's monetary meeting.

Market activity was generally quiet yesterday, and this will continue today with a number of European markets closed for All Saints Day.

The dollar had a fairly quiet day, with the market showing little inclination to build on Friday's rally, closed at DM1.5077 from DM1.5054, and at ¥96.85 from ¥97.335.

The D-Mark had a quiet day

in Europe. The Swedish krona weakened slightly, to SKr4.780 from SKr4.759, following an announcement from Moody's, the rating agency, that it would be reviewing the status of Sweden's sovereign debt.

Speculation about higher UK rates was fuelled by the October M0 money supply figure, which rose by 7.3 per cent year-on-year. This was higher than market expectations, well above the monitoring range of 0-4 per cent, and the fastest annual rate of growth since January 1989.

To some extent, though, market expectations of higher rates possibly being sanctioned at the monthly meeting also reflect a new found credibility in UK monetary policy. Underlying inflation, at 2 per cent in

September, is at its lowest level in 27 years.

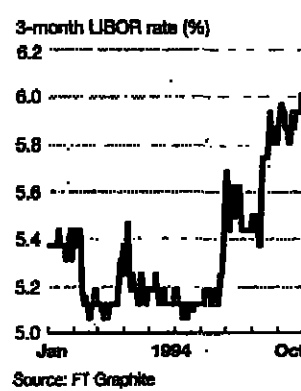
Mr Avinash Persaud, head of currency strategy at JP Morgan in Europe, commented: "The Bank of England has managed to build credibility so that the market now believes the government is inclined to act pre-emptively. There is a belief that the monetary regime has now changed. The UK is now acting more like a European country."

The December short sterling contract closed at 93.50 yesterday, showing that the market expects UK interest rates to rise to 6.5 per cent by the end of the year. Three month LIBOR is currently at 5 1/4 per cent, up from 6 per cent.

Mr Richard Phillips, analyst at brokers GNI, said the firm's cash rates reflected both a month-end squeeze, and press speculation about the prospect of higher rates. "There has been a shift in sentiment from the possibility to the probability of a rise in rates."

While most economists are

Sterling



now predicting a further rise in rates by the end of the year, it is still only a minority who are expecting this to follow in the immediate aftermath of tomorrow's monetary meeting.

Many analysts argue that, with the chancellor probably undecided about the extent of tax changes in this month's budget, it would be wise to leave

any monetary policy changes until the December meeting.

Mr Eddie George, governor of the Bank of England, last week lent some support to those arguing against a precipitate move. He said bond markets were exaggerating the inflationary threat.

In a speech in Birmingham, he added: "There are relatively few immediate signs that inflation is about to pick up strongly." Contributing to the governor's optimism about the inflation outlook will have been sterling's recent strength, putting downward pressure on imported inflation. The trade weighted index has risen from a low around 78, in mid-August, to 81 now.

On the other hand, the possibility that market expectations might hasten the next rate rise was highlighted by Mr Kenneth Clarke, the chancellor, during the September monthly meeting. He said: "Financial markets were expecting interest rates to be raised sooner rather than later. If those

expectations were not realised, the markets could become more volatile and the eventual rise in rates might need to be larger."

Although the timing of a rise in rates is in dispute, there is a measure of agreement that the likely trajectory of UK rates will be gradually upwards, rather than sharply, as often in the past. Mr Persaud said the good behaviour of the current account, and inflation, during the present recovery, "would allow rates to peak at a much lower level than before."

The Bank of England provided UK money markets with £1.321bn assistance, including £355m late assistance, after forecasting a £1.4bn daily shortage.

OTHER CURRENCIES

Currency	Oct 31	Oct 30	% Chg
US Dollar	175.70	176.23	0.3
Japanese Yen	288.00	287.00	0.3
French Franc	166.10	166.10	0.0
German Mark	136.35	136.35	0.0
Italian Lira	1,936.00	1,936.00	0.0
Spanish Peseta	166.67	166.67	0.0
Portuguese Escudo	200.48	200.48	0.0
Swiss Franc	1.48	1.48	0.0
Belgian Franc	136.35	136.35	0.0
Dutch Guilder	136.35	136.35	0.0
Irish Punt	136.35	136.35	0.0
UK Pound	136.35	136.35	0.0

WORLD INTEREST RATES

MONEY RATES

Country	Over night	One month	Three months	Six months	One year	Long term	Repo
Belgium	4 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
France	4 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
Germany	4 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
Italy	4 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
Netherlands	4 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
Sweden	4 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
Switzerland	4 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
UK	4 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
US	4 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50
Japan	4 1/4	5 1/4	5 1/4	5 1/4	5 1/4	7.40	4.50

LIBOR FT London

Instrument	Oct 31	Oct 30	% Chg
Interbank 3m	5 1/4	5 1/4	0.0
US Dollar 3m	5 1/4	5 1/4	0.0
US Dollar 6m	5 1/4	5 1/4	0.0
US Dollar 12m	5 1/4	5 1/4	0.0
US Dollar 18m	5 1/4	5 1/4	0.0
US Dollar 24m	5 1/4	5 1/4	0.0
US Dollar 30m	5 1/4	5 1/4	0.0
US Dollar 36m	5 1/4	5 1/4	0.0
US Dollar 42m	5 1/4	5 1/4	0.0
US Dollar 48m	5 1/4	5 1/4	0.0
US Dollar 54m	5 1/4	5 1/4	0.0
US Dollar 60m	5 1/4	5 1/4	0.0
US Dollar 66m	5 1/4	5 1/4	0.0
US Dollar 72m	5 1/4	5 1/4	0.0
US Dollar 78m	5 1/4	5 1/4	0.0
US Dollar 84m	5 1/4	5 1/4	0.0
US Dollar 90m	5 1/4	5 1/4	0.0
US Dollar 96m	5 1/4	5 1/4	0.0
US Dollar 102m	5 1/4	5 1/4	0.0
US Dollar 108m	5 1/4	5 1/4	0.0
US Dollar 114m	5 1/4	5 1/4	0.0
US Dollar 120m	5 1/4	5 1/4	0.0

ECU Linked De and Rep: 1 mth: 5 1/4; 3 mth: 5 1/4; 6 mth: 5 1/4; 1 year: 5 1/4; 18 mth: 5 1/4; 24 mth: 5 1/4; 30 mth: 5 1/4; 36 mth: 5 1/4; 42 mth: 5 1/4; 48 mth: 5 1/4; 54 mth: 5 1/4; 60 mth: 5 1/4; 66 mth: 5 1/4; 72 mth: 5 1/4; 78 mth: 5 1/4; 84 mth: 5 1/4; 90 mth: 5 1/4; 96 mth: 5 1/4; 102 mth: 5 1/4; 108 mth: 5 1/4; 114 mth: 5 1/4; 120 mth: 5 1/4.

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27 $\frac{1}{2}$	29 $\frac{1}{2}$	+2
22 $\frac{1}{2}$	22 $\frac{1}{2}$	

17 $\frac{1}{2}$	17 $\frac{1}{2}$	- $\frac{1}{2}$
17 $\frac{3}{4}$	17 $\frac{3}{4}$	- $\frac{3}{8}$
23 $\frac{1}{4}$	24	- $\frac{1}{4}$
23	23	- $\frac{1}{4}$
42 $\frac{1}{2}$	42 $\frac{1}{2}$	- $\frac{3}{4}$
31 $\frac{1}{2}$	31 $\frac{1}{2}$	
27 $\frac{1}{2}$	27 $\frac{1}{2}$	- $\frac{1}{2}$
31 $\frac{3}{4}$	31 $\frac{3}{4}$	- $\frac{3}{8}$
12 $\frac{3}{4}$	12 $\frac{3}{4}$	- $\frac{1}{8}$
14 $\frac{1}{2}$	14 $\frac{1}{2}$	+ $\frac{3}{8}$
31-	31-	- $\frac{1}{2}$

58	58 ¹ ₈	-1
3	3	-1 ₄
19	19 ¹ ₂	+1 ₁₆
31 ¹ ₄	31 ¹ ₄	-1

37 37⁵/₈

AMERICA

Dow lower at mid-session on profit-taking

Wall Street

US share prices were mostly lower yesterday morning as equity investors regrouped after Friday's big gains, writes Frank McCarty in New York.

By 1 pm, the Dow Jones Industrial Average was down 5.04 at 3,925.62, while the more broadly based Standard & Poor's 500 was up a scant 0.19 at 473.96.

On the NYSE, advancing issues were outnumbering declines by an 11-to-nine margin.

Activity eased from Friday's heated pace, with a moderate 176m shares traded by early afternoon. In the other leading markets, the Nasdaq composite was 0.27 better at 458.43, while the Nasdaq composite dipped 0.04 to 776.11.

Early in the day, profit-takers came to the fore on the heels of Friday's 55-point surge by the Dow Industrials. Bonds were a little lower, following a big advance of their own. The day's economic news came in fairly close to expectations and had little impact on sentiment.

The commerce department reported a small increase in personal spending and income during September, while the Purchasing Management Association of Chicago said that both of its October index of business activity and the prices-paid component of its monthly survey had risen.

Investors took little notice of either development, with attention centred on today's national survey of purchasing management and Friday's crucial data on conditions in the labour market.

Among the Dow components, Philip Morris was marked down 2.2% to \$61.14 in heavy volume of nearly 4m shares. A Florida court ruled in favour of allowing any smoker who fell ill because of nicotine addiction to be included in a class-action suit against cigarette makers.

Shares in RJR Nabisco, another big tobacco company, dropped 3% to \$66. Sellers were influenced by the additional news that RJR planned to divest 19 per cent of its food operations in a stock offering and would drop its plan to acquire a minority stake in Borden, down 2% at \$13.31.

In pharmaceuticals, Pfizer gained 1% to \$74.45 after agreeing to acquire Namic USA, a medical equipment supplier, in a deal valued at \$158m. Namic surged 3.3%, or 28 per cent, to \$17.14 on the Nasdaq.

Canada
Toronto was mixed in listless midday trading as rising golds and pipelines vied with losing industrial products and media for dominance. The TSE 300 composite index was just 1.79 higher at 4,290.41 by noon.

The precious metals group jumped 0.9 per cent, defying a downward slide in gold prices, as American Barrick Resources rallied on better than expected third quarter results. Barrick picked up 0.7% to C\$39.75.

The industrial products group lost 0.9 per cent as Methanex and Newbridge Networks posted sharp losses.

Brazil
Shares in São Paulo were off 1 per cent in moderate midday trade as higher interest rates triggered profit-taking. The Bovespa index had fallen 468 to 49,306 by 1 pm in turnover of R\$11.13m (\$12.8m).

Brokers said that higher interest rates, combined with worries about inflation, had prompted domestic and foreign investors to cash in profits after the market had risen by 13.4 per cent over the last four sessions.

EUROPE

Ambroveneto up 9.7% more on bid talk

Yesterday's downswing in US sentiment, weighing upon the New York morning session, was manifest in the European afternoon, writes Our Markets Staff.

MILAN continued to feature bid activity and speculation in banks, while the strength of Fiat also contributed to a 11.22 or 1.8 per cent rise in the Comit index to 835.43.

Traders commented that volume held up surprisingly well at around the recent depressed daily average of 15,000m with banks closed by a strike for much of the day and ahead of today's public holiday.

Ambroveneto, rumoured as a bid target, advanced a further 1.46% to 9.7 per cent to L5,236, taking its surge over the last three sessions to 34 per cent. BCI, thought to be a possible suitor, gained 1.94 or 2.7 per cent to L3,556.

Credito Romagnolo picked up 1.71 to L16,949, off a high of L17,400, but still short of the L19,000 price offered by Credito Italiano. Credito rose 1.35 or 2.3 per cent to L1,640.

Fiat put in a solid performance, climbing 1.59 to L5,393 on renewed buying by Italian funds. Ferruzzi added 1.80 or 4.9 per cent to L1,293, with investors who had sold the stock at higher prices said to be returning as buyers.

FRANKFURT offered apparent gains on the session, but

FT-SE Actuaries Share Indices

Heavy changes	Open	High	Low	Close	THE EUROPEAN SERIES
FT-SE Actuaries 100	1328.71	1338.78	1328.29	1328.81	1340.31
FT-SE Actuaries 200	1401.52	1401.09	1400.83	1401.48	1402.90
FT-SE Actuaries 300	1328.71	1338.78	1328.29	1328.81	1340.31
FT-SE Actuaries 400	1401.52	1401.09	1400.83	1401.48	1402.90
FT-SE Actuaries 500	1328.71	1338.78	1328.29	1328.81	1340.31
FT-SE Actuaries 600	1401.52	1401.09	1400.83	1401.48	1402.90
FT-SE Actuaries 700	1328.71	1338.78	1328.29	1328.81	1340.31
FT-SE Actuaries 800	1401.52	1401.09	1400.83	1401.48	1402.90
FT-SE Actuaries 900	1328.71	1338.78	1328.29	1328.81	1340.31
FT-SE Actuaries 1000	1401.52	1401.09	1400.83	1401.48	1402.90

These mostly reflected last Friday afternoon, when a higher dollar, rising bond prices and an ebullient Wall Street made the day the Dax index closed the official session at 2,071.63, up 31.31, of which 27.12 points were gained on Friday.

Later indications were more subdued. The Dax index finished at 2,061.58, with individual features few and far between. Turnover rose from DM5.4bn to DM5.6bn.

However, Mr Eckhard Frahm of Merck Finck in Düsseldorf produced his monthly review of the Dax and its constituents, which included a couple of hopeful pointers in yesterday's uncertain times.

First, while there were some almost superstitious worries about the month of October, the Dax did better than many expected last month, with a 3 per cent gain against a 9.1 per cent fall in September; and

unfavourable market conditions would cause this year's earnings to fall short of the 1993 level came after the market closed. CS Holding, a beneficiary of switching out of UBS, gained SF6 to SF5.69.

Among firm insurers, Zurich rose SF10 to SF11.145 and Winterthur added SF4 to SF638 francs ahead of Thursday's news conference.

AMSTERDAM climbed as investors awaited third quarter results from a number of major Dutch companies later in the week. The AEX index gained 3.57 to 412.82, after 415.35.

The market was also supported by strength in the dollar and in bonds, although there was a slight sell off when Wall Street opened down.

Philips was among the day's gainers, up FL1.70 or 3.1 per cent to FL55.90 ahead of its third quarter results which are due on Thursday. The figures are expected to show that the electronics group is making substantial progress in its return to financial health.

DSM, which opens the reporting season today, went against the trend, off FL1.30 to FL146.00 as profits were taken following strong gains in the past week. Analysts expected the chemicals group to return a profit of around FL102m, against a net loss of FL52m in the same 1993 period.

Akzo Nobel, which reports tomorrow, moved ahead FL2.60 to FL212.90.

MADRID managed to report a gain in spite of renewed bond market weakness. The general index rose 0.97 to 296.30 as the domestic December bond future fell 50 basis points to 86.75.

Turnover was thin ahead of today's holiday, at Pta18.8m. Repsol was the big blue chip winner with a rise of Pta50 to Pta4,006, off an intraday high of Pta4,070. The oil company is expected to release third quarter results soon.

CONSTRUCTIONS, weak last week, recovered with Cubertex Pta190 higher at Pta3,050 and FCC up Pta150 at Pta12,600. In retailers, Cortefiel rose Pta120 to Pta4,480 on first half results which showed net profits up 7.6 per cent.

STOCKHOLM enjoyed a broad rally led by the pharmaceutical group, Astra, and the engineering, Asea. The Affarsvalden General index rose 13.2 to 1,485.0 with Astra A up SKr5.50 at SKr194.50 and Asea, which owns 50 per cent of the Swiss-Swedish engineering group, ABB Asea Brown Boveri, up SKr7 to SKr622 in a rebound after recent losses.

Written and edited by William Cochrane, John Pitt and Michael Morgan

S African golds lose nearly 3%

Weakness in the price of gold bullion, which hit a low of about \$382 an ounce in London trading during the session, made its effect felt on the Johannesburg gold shares index, which dropped by nearly 3 per cent.

Dealers remarked that hopes that gold would attain the \$400 level, which had been supporting prices during late September and early October, had receded, thereby resulting in heavy selling.

The golds index closed 67 down at 2,224, with sellers also coming into the market after the release of US consumer expenditure data which showed a smaller than expected September rise.

The industrial index was affected by the fall in gold, but managed to regain positive territory by the close, adding 6 at 6,604. The overall index slipped 27 to 5,723.

Since reaching a year's high of 2,535 at the start of September, the golds index has fallen by 12 per cent, but remains 77 per cent up from its position at the beginning of January.

Among the day's movers, De Beers, which said it was increasing investment in Tanzania through its Willcroft subsidiary company, relinquished R2 at R98.55.

Vaal Reefs finished R12 down at R416, while Freegold retreated R2 to R88 and Lorraine softened 25 cents to R19.50.

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ASIA PACIFIC

Nikkei higher as Hong Kong sees 2.8% rise

Japan Telecom, the long distance telecommunications operator, fell ¥60,000 to a new low for the year of ¥3,540m on profit-taking. Kyushu Matsushita Electric, an affiliate of Matsushita Electronics Industrial, shed ¥600 to ¥2,440. Investors were discouraged by a 61 per cent fall in interim profits and the forecast of a 40 per cent earnings decline for the full year.

In Osaka, the OSE average rose 153.79 to 22,094.95.

Tokyo
An easing of selling pressure on Japan Telecom, whose unsuccessful listing last week eroded confidence, encouraged buying by overseas and institutional investors and the Nikkei 225 average gained ground, writes Emiko Terazono in Tokyo.

The index closed 184.44 higher at 19,989.60, rising for the fourth consecutive day. It fluctuated between 20,000.70 and 19,855.47, with trading by securities dealers also lifting activity.

Volume totalled 245m shares, against 251m. The Toxip index of all first section stocks gained 17.94 at 1,584.06, while the Nikkei 300 put on 3.71 at 390.50. Rises outnumbered falls by 776 to 198, with 172 issues unchanged. But in London the ISE/Nikkei 50 index was 1.38 easier at 1,305.46.

The advance on Wall Street on Friday encouraged futures trading which, in turn, prompted arbitrage buyers. Overseas investors, followed by domestic institutions, bought large-capitalisation stocks, including steels and shipbuilders on hopes of a worldwide recovery in steel demand.

Over the next few weeks the market is expected to focus on interim earnings announcements and forecasts for the full year. However, some analysts did not think that price increases would lift share prices for the time being. Traders also said potential sellers around the 20,000 Nikkei 225 level were expected to cap a rise in shares.

Steel companies led activity. Nippon Steel rose ¥4 to ¥400 and NKK by ¥2 to ¥299. Shipbuilders were also traded, with Hitachi Zosen up ¥13 to ¥567 and Mitsubishi Heavy Industries by ¥14 to ¥789.

Japan Tobacco, which declined sharply following its listing last week, rallied ¥20,000 to ¥1,030m, while other privatisation issues were also firm, with East Japan Railway up ¥1,000 to ¥483,000 and Nippon Telegraph and Telephone gaining ¥15,000 at ¥905,000.

Securities shares with good earnings forecasts found demand. Sanjoseon Investment and Hanshin rose Won1,000 each to go limit-up at Won2,500 and Won21,000 respectively.

SYDNEY finished higher, taking its lead from foreign markets, but the market

remained overshadowed by today's domestic balance of payments data.

Volume was thin at 138.9m shares as the All Ordinaries index closed 23.6 or 1.2 per cent up at 2,044.8.

Finance stocks met healthy buying. The four major banks all finished higher, with investors buying in anticipation of strong final result announcements.

ANZ rose 10 cents to A\$3.90 and Westpac 8 cents to A\$4.53.

WELLINGTON was modestly firmer after a number of leading stocks went ex-dividend, putting a restraining influence on the main index. The NZSE-40 Capital index, which does not adjust for ex-dividends, ended 5.21 higher at 2,100.37, while the NZSE-40 Gross index, which does adjust, put on 23.35 at 2,560.78 in turnover of NZ\$38.2m.

KUALA LUMPUR's early gains were cut short as investors largely ignored the 1995 budget, announced last Friday, and prices put under more pressure by bouts of forced selling by clients unable to meet margin calls.

The composite index ended 4.19 off at 1,108.85 after hitting an early high of 1,122.72.

SINGAPORE saw property and finance issues make the most headway, while Malaysian stocks were lower, again on forced selling. The Straits Times Industrial index rose 16.57 to 2,379.03.

JAKARTA held on to early

gains at the close on the back of brisk foreign buying and a firmer Indosat price. The official index ended 7.08 higher at 523.49. Indosat's strong performance in New York was reflected in the domestic market, with its price rising another Rp135 to Rp6,650.

COLOMBO edged ahead on domestic buying, but turnover of SLRs30.8m was at its lowest level this year on poor foreign demand. The All-share index gained 3.33 at 1,093.65.

SHANGHAI's A share index fell 4.7 per cent, but was off its lows after the exchange president reiterated July's commitment to introduce market boosting measures. The index lost 32.78 at 668.63 in very thin turnover of ¥1.41m.

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